APPENDIX C: MAJOR MANAGEMENT CHALLENGES AND PROGRAM RISKS

To ensure strong performance throughout USDA, we must focus our accomplishments on the most significant management challenges and program risks. The U.S. General Accounting Office's report (GAO 03-96, January 2003, *Major Management Challenges and Program Risks*) and the USDA's Office of the Inspector General's report in Appendix C of the USDA Performance and Accountability Report for FY 2002 www.usda.gov/ocfo/pm/pdf/par2002.pdf identified management challenges and program risks as areas of vulnerability. This table summarizes USDA's strategies for addressing these concerns.

Major Management Challenges and Program Risks	Planned Actions/Performance Measures for Fiscal Years 2003-2004
Homeland Security Issues (OIG) and Ensuring Adequate Security (GAO)	
• USDA Laboratory Facilities	New guidelines for containment facilities have been developed, including a policy on greater coordination among containment facility personnel, inspectors and risk-evaluation specialists. APHIS is implementing Department-wide Security Policies and Procedures for Biosafety Level-3 Facilities. APHIS is working with ARS, CSREES and the American Association of Veterinary Laboratory Diagnosticians to improve the security of non-APHIS laboratories we rely on.
• Inadequate Security Procedures over Aircraft	The items in progress are:

The Office of Procurement and Property Management (OPPM) completed detailed security assessments for theft and misuse at 14 air tanker bases, issued specific findings for each facility and agency-wide security recommendations. Reviews of aircraft security for remaining facilities are continuing to be completed.

Direction regarding aircraft security provided in the form of Management Alerts. FS provided a detailed checklist for evaluation of the aircraft and facility security to partner State forestry agencies.

An interim security plan and interim strategy was implemented to ensure that aircraft and the public are adequately protected from potential misuse. A National Aviation Security Policy that links agency response actions to the President's Homeland security Advisory System is being finalized.

Developing background check requirements for all pilots, co-pilots and flight engineers that ensure the new air tanker contracts incorporate appropriate security provisions. |
| • Importing Animal Diseases | As a result of OIG's audit, APHIS and FSIS strengthened their long-standing Memorandum of Understanding to provide better coordination and communication. As a result of the Foot and Mouth Disease threat, APHIS added a number of veterinarians to work with port personnel. The AQI Monitoring Team has been focusing attention how to best monitor various types of incoming cargo and international mail.

APHIS personnel have unique qualifications and training in biological sciences that suit them to the mission. To transmit this knowledge may require a period of working with the Homeland Security Department. |
| • Biosecurity and Biosafety | HMMP staff will continue to play a leading role in USDA security efforts, including safeguarding facilities, protecting the general public and enhancing USDA's capacity to respond effectively to intentional and unintentional incidents. |
| • Information Security | USDA is working to address weaknesses identified by the GAO and OIG in the Department's ability to protect its assets from fraud, misuse, disclosure and disruption. The Office of the Chief Information Office is guiding agencies to improve information and information technology security controls in following areas: risk assessment and mitigation (developing and training agencies in the use of a standard methodology and tools, as well as facilitating independent risk assessments of USDA security program and IT systems), physical and logical access controls (implementing and overseeing established policy and guidance), disaster recovery and contingency planning (developing and testing of |

Major Management Challenges and Program Risks	Planned Actions/Performance Measures for Fiscal Years 2003-2004
	disaster recovery and business resumption plans for the Department's highest priority mission critical information technology systems), intrusion detection and response (deploying a common preventive patch maintenance software and scanning tool across USDA agencies, as well as operating a 24 X 7 IDS capability that monitors USDA's network), certification & accreditation (developing methodology to be used by agencies in certifying all major IT systems), and security awareness (implementing plan to meet all Federal security training requirements).
Federal Crop Insurance Issues (OIG)	
• Implementation of ARPA	Contracts and partnership agreements for new products (such as data mining, cost of production and others) mandated by ARPA have been initiated. Some are in operation and others are in development. The specific performance measure for each of these products would be their completion and submission for FCIC Board review. Addressing program integrity issues has been accomplished through modification of the Basic Provisions Regulation. Public comments have been received and are being processed. The specific performance measure will be publication in the Federal register of the rule that addresses the program integrity issues and incorporates the public's comments.
• Oversight by Insurance Companies and RMA	Updates to Manual 14 will prescribe the types and number of internal reviews to be performed by the insurance companies and evaluating alternative methods to improve its oversight responsibilities. A statement of work was issued seeking non-government services of performance management experts to develop a more effective Quality Control review.
Farm Security & Rural Investment Act of 2002 (OIG) and Improving the Delivery of Services to Farmers (GAO)	
• Farm Programs	To help ensure accurate and timely delivery of services to eligible producers, FSA will continue to monitor program delivery and program management through its various review processes, including the County Operations Review program and program compliance activities.
• Conservation Programs	NRCS has recognized the need for greater oversight and plans to focus its Oversight and Evaluation Staff on Farm Bill related reviews in FY 2003 and 2004. Reviews are planned on EQIP, FPP, Conservation Planning Certification, barriers to implementation of the Farm Bill and the NRCS Accountability System.
Food Stamp Program (OIG) and Improving the Integrity of Food Assistance Programs (GAO)	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; and the persistence of retailer trafficking of FSP benefits. In addition, USDA's Office of Inspector General identifies 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, as major management challenges.
• Electronic Benefits Transfer (EBT) Systems Implementation	FSP Electronic Benefits Transfer is addressed in Objective 4.3: Improve Food Program Management and Customer Service. The Department expects to delivery 100% of benefits through EBT by the end of FY 2004.
• Improper Payments	FSP Payment Accuracy is addressed directly in this plan under Objective 4.3 Improve Food Program Management and Customer Service. FSP Payment accuracy for FY 2001 (most current data available) reached its highest level ever. The plan includes a performance indicator to continue improvement in Food Stamp payment accuracy, targeting a 92.2 % payment accuracy rate by FY 2004.
• Retailer Abuses	Specific performance metrics for FSP retailer management are tracked by the FNS. For the future, the Department is continuing to update and seek improvements in its periodic measure of FSP trafficking.

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National School Lunch and School Breakfast Program (OIG)	National School Lunch and Breakfast Program eligibility certification is addressed directly in this plan: Improve Food Program Management and Customer Service. The plan includes a performance metric to decrease the number of children certified for free school meals in excess of those estimated eligible.
Food Safety Issues (OIG) and Enhancing the Safety of the Nation's Food Supply (GAO)	FSIS and APHIS have updated a Memorandum of Understanding to enhance communication between the two Agencies.
	FSIS has taken corrective action on many of the recommendations and plans to complete the remainder during FY 2003 on implementation of the Hazard Analysis and Critical Control Point System; FSIS Laboratory Testing of Meat and Poultry Products; FSIS Imported Meat and Poultry Inspection Process, Phase I; and the District Enforcement Operations Compliance Activities.
	During the last few years, FSIS has enhanced its process to identify and review 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. The Agency will work with OIG to resolve any reinspection and equivalency issues arising from these audits.
	In the Federal government, food safety responsibilities are shared among several entities, most notably USDA, Health and Human Services and the EPA. 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. Statistics for the Centers for Disease Control and Prevention show a 21 percent drop in the incidence of foodborne illness during the last six years. Although these figures represent the efforts of several Federal Agencies, State and local governments, regulated industries, schools and consumers, the USDA 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, absorb, or merge itself with other agencies. Therefore, this management challenge has not been incorporated into the USDA or FSIS GPRA documents.
Animal and Plant Health Inspection Service Issues (OIG)	
• Risk identification	Specially qualified risk analysts in APHIS Policy and Program Development provide training and review risk analyses before publication. Recent risk assessments are on Clementines from Spain, citrus and beef from Uruguay, pet birds and U.S. domestic procedures concerning bovine tuberculosis. To increase public awareness of its regulations, APHIS has been developing its Internet web pages, allowing web-based comments on proposed regulations. Pest lists have been developed at the national level for surveying exotic plant pests in the U.S. The lists are dynamic in nature and scientifically based with supporting pest risk analyses, interception data and input from professional societies. Modeling and risk-based mapping techniques are being developed to target areas of potential pest establishment.
• Inspection coverage at all types of ports	APHIS no longer has responsibility for inspection coverage.
• Inspection coverage at all times	APHIS no longer has responsibility for inspection coverage.
• Handling of restricted-use compounds	Upon further examination by the OIG, it was determined that all chemicals used by APHIS' Wildlife Services' program were accounted for. However, an adequate chemical inventory and tracking system was needed. WS has been piloting a new Chemical Inventory and Tracking System in five States. The new tracking system was planned to be fully operational in October 2002 in all States.
• Permit controls for pathogens and restricted materials	APHIS' Plant Protection and Quarantine's permitting unit has undergone staff reorganization. New management and additional personnel have been dedicated to greater scrutiny of permit requests.

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Forest Service Management and Program Delivery Issues (OIG) and Improving Performance Accountability at the Forest Service (GAO)	In cooperation with Department of the Interior land management agencies under the National Fire Plan, the Forest Service has begun to test the new interagency fire planning system to optimize cost effectiveness for fire readiness resources; implement large landscape level fuels treatment projects to reduce the threat to communities and restore healthy ecosystems; implement the blue ribbon panel's recommendations to improve aircraft safety and operations; implement emergency stabilization treatments on lands that were severely burned in 2003 and 2004; rehabilitate lands that were severely burned in the fires of 2002 and 2003; continue the Healthy Forests Initiative and improve regulatory processes to restore forest and rangeland health and prevent catastrophic wildfires on public lands through active land management efforts; improve fire incident obligation reporting among all Federal wildland fire management agencies; coordinate with the Office of Management and Budget to improve the two Departments' Wildland Fire Management Program performance assessment scores initially assigned in FY 2002; expand forest health protection and biomass utilization projects that support the fuels treatment program; maintain high level of research in support of firefighting capacity, forest and rangeland rehabilitation and restoration, hazardous fuels reduction and community assistance; improve communications with States, Tribes, non-governmental organizations and other stakeholders to ensure collaboration on National Fire Plan projects and actions undertaken by federal agencies and their partners; and promote accountability for National Fire Plan funding and accomplishments. Common USDA/DOI performance measures are: Percent of unplanned and unwanted fires controlled during initial attack; gross fire suppression cost per acre; number of high-priority acres treated in the wildland/urban interface (WUI); number of acres in condition class 2 or 3 treated outside the WUI in fire regimes 1, 2, or 3; number of acres in fire regimes 1, 2, or 3 moved to a better condition class; and number of acres in fire regimes 1, 2, or 3 moved to a better condition class per million dollars gross investment.
Forest Service National Fire Plan (OIG)	OIG draft report "Forest Service's National Fire Plan Implementation", dated September 21, 2001 identified concerns with fire preparedness funding in FY 2001 and use of National Fire Plan funds for specified rehabilitation and restoration projects. The FS addressed these concerns in a response dated November 2, 2001. The FS enters indirect cost information into the National Fire Management Analysis System when determining wildland fire preparedness and is working with the Department of the Interior to jointly update the preparedness planning model for firefighting. Regarding OIG's concern that rehabilitation and restoration projects meet project selection criteria, the FS-proposed projects are reviewed through a National Fire Plan integrated review process.
Forest Service Grant and Agreement Administration (OIG)	Since FY 97, the FS has made adjustments to the management of grants and agreements to nonprofit organizations. Proper controls were implemented to ensure program integrity, program budget planning and accountability; analysis and reviews are occurring regularly to protect resources and to ensure prudent use of all funds in achieving the agency mission and with the scope of expectations, laws, regulations and authority. The appropriate records, along with financial information are maintained and used for decision-making purposes. These actions will continue.
Rural Rental Housing (OIG)	
• Portfolio Management	RHS has drafted a proposed rule to completely restructure it sections 515 and 514/516 loan and grant program, to improve its ability to ensure properties are maintained and to provide decent, safe and sanitary rental and farm labor housing. The regulation is at OMB and is anticipated to be published the latter part of this fiscal year and will be effective in fiscal year 2004.
• Guaranteed RRH Program	Performance and results reported under the section 538 guaranteed rental program have been revised to clarify that units reports are those for which funds have been obligated to built new construction projects and the resulting units. Rural Development feels that this issue has been addressed and can be removed.
• Rental Assistance	Future year appropriations requests will reflect additional funding needed for the Rental Assistance program because of inflation. $10 million and an additional $25 million in FY 04 increased the FY 03 appropriation. Future requests from the program staff will also address this issue. Rural Development feels this issue has been addressed and can be removed.

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• RRH Projects Leaving the Program	Section 515 preservation administration has been improved by the implementation of preservation incentive underwriting, thereby ensuring that incentive payments are fair. Additional tracking systems for loans entering into the prepayment process have been implemented, which have improved the Agency's ability to determine the status of loans proposing prepayment and those that have been prepaid. This improves this agency's ability to plan and implement preservation incentives. Rural Development feels that this issue has been addressed and can be removed. RHS has drafted a proposed rule to completely restructure it 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. The regulation is at OMB and is anticipated to be published the latter part of this fiscal year and will be effective in fiscal year 2004.
• Unallowable and Excessive Expenses Charged to RRH Projects	Under current agency procedures, unallowable and excessive expenses charged are identified, investigated and restitution is made. We continue to refer cases to our "Enforcement Team" and OIG for action. Rural Development feels this issue has been addressed and can be removed.
Rural Business-Cooperative Service (OIG) • Business and Industry (B&I) Loan-making and Servicing Procedures • Waivers of Internal Controls	The Business Programs Assessment Review (BPAR) process is designed to ensure a thorough assessment of the functions of the Rural Business-Cooperative Service (RBS), Business Programs. In addition to providing oversight of State operations, the BPAR will identify program areas for which increased training or oversight are needed and will create an organized mechanism for National Office and field staffs to discuss Business Programs objectives and requirements. RBS has also entered into an Interagency Agreement with the Farm Credit Administration (FCA). The agreement calls for FCA to evaluate the safety and soundness of Business and Industry Guaranteed Loan Program non-traditional lender operations and assure compliance with applicable laws and RBS regulations. The Program Oversight Division is performing a Management Control Review of the Business and Industry Guaranteed Loan Program in Fiscal Year 2003. Rural Development is working with the Office of the Inspector General implementing recommendations based on findings in audits to improve program efficiency. RBS has established internal instructions regarding the waiver of loan regulation processes and is working on a major rewrite of the servicing and processing regulations to fine-tune the Agency's responsibilities versus the lender responsibilities.
Civil Rights Complaints (OIG) and Resolving Discrimination Complaints (GAO)	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; Provide OIG with final Standard Operating Procedure (SOP) for Conducting Agency Civil Rights Evaluations – The SOP has been finalized, signed by the Deputy Director for Programs and submitted to OIG; Provide OIG with final SOP on Negotiation of Settlement Agreements in Program Discrimination Complaints – The SOP has been revised as noted and was forwarded to the Office of General Counsel for review in January 2003. The final SOP has been forwarded to the Director of Civil Rights for review and signature; Revised USDA/HUD Memorandum of Understanding (MOU) - RD has responded to the draft Housing and Urban Development Memorandum of Understanding requesting major, significant changes to the document; and Project 365: Review of Cases Potentially Closed Improperly – a) CR located 30 cases files of the 38 cases that were improperly closed and b) CR found no record of the 50 cases identified in OIG's additional inquiry.

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Financial Management (OIG) and Enhancing USDA's Ability to Account for Financial Activities (GAO)	Owing to USDA's recent successful results in improving financial management, USDA received an unqualified audit opinion on five stand-alone audits and on a consolidated basis in FY 2002. OCFO will be securing the gains made on the FY 2002 financial processes to ensure a repeatable process for clean audits in FY 2003 and FY 2004. The OCFO will lead the efforts to support and enhance the Department's management process by helping USDA agencies to improve internal controls, data integrity, management information and decision making as reflected by an unqualified audit opinion. The following steps are being taken to strengthen the quality control processes throughout the Department to ensure that information provided for the audit is complete, accurate and satisfies the audit objective: • Establish comprehensive timeline and key milestone chart that clearly delineates the required deliverable to the OIG and the due date. • Provide Departmental oversight of the quality control processes established by component agencies and to ensure compliance with Departmental Quality Assurance Program to include sample reviews of key deliverables. - A key component of oversight occurs at our monthly CFO Council meetings. Quality assurance is a key portion of the agenda and there is a review of conditions in focus areas of emphasis, e.g., suspense, abnormal balances, etc. - Develop a data quality scorecard that will be presented and discussed at monthly CFO Council meetings. - Develop monthly management report of key indicators of performance for the Controller Operations Division. - Utilize quality assurance process and tools provided in the Financial Management Tasks Matrix. In FY 2003, USDA completed the implementation and conversion of all USDA agencies on a standard and compliant administrative financial management system. USDA is using data warehousing technology to provide consolidated reporting to meet the integrated financial system for USDA, both administrative and program data. User Fees: During FY 2002, USDA began a Department-wide Managerial Cost Accounting Initiative that analyzed current cost accounting capabilities at various agencies. The July 29, 2002 report "USDA Analysis of Current Cost Accounting Capabilities and Recommended Actions" held that training be conducted at each USDA agency in order to ensure full compliance with OMB Circular A-25 - - User charges and USDA Departmental Regulation 2100-3 OCFO Biennial Review of Charges for Things of Value. The report further recommended a process be implemented for all USDA agencies to include imputed costs in user fee full cost analysis and in the Biennial Fee Review. In FY 2002, OCFO completed user fee training for all applicable agencies. Further, the user fee agencies agreed to disclose full cost in the next biennial review of fees for April 2003. Per OCFO's agreement with OIG, USDA agencies will disclose full cost but will not charge for imputed retirement and associated benefits – which is in keeping with general practice of the remainder of the government. Debt Collection Improvement Act: OCFO and OGC have completed the draft of new Debt Collection regulations, which contain provisions for the optional DCIA tool of administrative wage garnishment. As of March 2003, the regulations are in clearance for publication in the Federal Register. Upon completion of the final rule, USDA is prepared to implement administrative wage garnishment.

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Information Resources Management (OIG)	The Department's FY 2002 Government Information Security Reform Act Report and associated Plan of Action and Milestones identify program and system level vulnerabilities and the steps necessary to mitigate them. In FY 2003, the Department will: improve the quality and process for managing USDA information security vulnerabilities and actions. (4th Qtr.); complete vulnerability assessments of all mission-critical systems. (4th Qtr.); and work with agencies to strengthen their program and system security plans, which were reviewed in FY 2002. (4th Qtr.)

In addition, the Department is improving the protection of its information assets by: establishing USDA information survivability program to guide agencies in the development and testing of disaster recovery and business resumption plans for USDA's highest priority mission critical systems; installing additional network sensors and train staff in network intrusion detection scanning and incident response; establishing Certification and Accreditation Program to evaluate the security features of new and existing information systems to ensure that the system adequately protects the use and delivery of programs; and enhancing Security Awareness Program to provide awareness to all USDA employees and contractors. |