



U.S. OFFICE OF SPECIAL COUNSEL

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February 5, 2008

The Special Counsel

The President
The White House
Washington, D.C. 20500

Re: OSC File No. DI-07-0926

Dear Mr. President:

I received a disclosure from a whistleblower that managers at the United States Department of Agriculture (USDA), Rural Development (RD), Rural Utility Services (RUS), Albuquerque, New Mexico, were responsible for a violation of a law, rule, or regulation and gross mismanagement. The whistleblower, who requested anonymity, disclosed that RUS managers improperly allowed a former employee to sign documents on behalf of the agency for the past ten years while working as a consultant-representative for agency applicants, despite being informed by various RUS staff that such a procedure is improper.

I required the Honorable Mike Johanns, then Secretary of Agriculture, to conduct an investigation into the whistleblower's disclosures pursuant to 5 U.S.C. § 1213(c) and (d). The Secretary tasked the USDA Office of Inspector General (OIG) with conducting the investigation. On December 10, 2007, the Honorable Charles F. Conner, Acting Secretary of Agriculture, submitted his report to me. The whistleblower provided comments on the agency report to this office pursuant to 5 U.S.C. § 1213(e)(1). As required by law, 5 U.S.C. § 1213(e)(3), I am now transmitting this report to you along with the whistleblower's comments.

As discussed further below, although the agency investigation did not substantiate the whistleblower's allegations, the agency determined that Ms. Sandra Alarcon, RUS Program Specialist, showed favoritism towards loan and grant applications submitted by Mr. Gil Gallegos, a former RD State Director for New Mexico. Specifically, the whistleblower had alleged that improper conduct existed between RD Program Director Martha Torrez and Mr. Gil Gallegos, who resigned in 1997 from his agency position. The whistleblower alleged that RUS managers allowed Mr. Gallegos to misrepresent himself as a federal employee and permitted him to manage RUS programs by signing not only applicant documents on behalf of grantees or debtors, but signing grant or loan applications on behalf of the agency. Further, Ms. Torrez allegedly permitted Mr. Gallegos to run "the RUS program from the outside..." whereby Mr. Gallegos, as a representative of water associations and others, signed applications on behalf of grantees or debtors as well as agency loans and grant applications on behalf of the agency, regardless of whether an agency employee or a grantee/debtor was supposed to sign the documents.

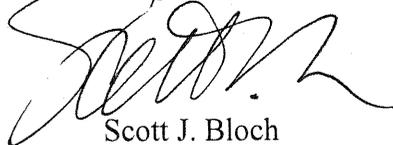
The investigation revealed that Mr. Gallegos did not sign or approve any loan or grant documents on behalf of the agency and that there was no evidence that agency managers altered loan or grant documents to conceal improperly prepared documents. The investigation, however, found that Mr. Gallegos had an intimate relationship from 1997 to 2003 with Ms. Sandra Alarcon, RUS Program Specialist. Ms. Alarcon admitted to expediting loan and grant reviews that involved Mr. Gallegos and accepting gifts from him. As a result, OIG forwarded a copy of the agency report to RD managers. Accordingly, Ryan Gleason, RD State Director, issued Ms. Alarcon a Letter of Caution for her failure to follow established ethical guidelines in performing her official duties.

The whistleblower commented that he or she believed documents in RUS grant and loan files reflect a misrepresentation by Mr. Gallegos. The whistleblower also stated that the two supervisors, Ms. Torrez and Mr. Hudson, were aware of Mr. Gallegos' and Ms. Alarcon's intimate relationship and, consequently, "they too are implicated in the dereliction of duty displayed by Ms. Alarcon."

I have reviewed the original disclosures, the agency report, and the whistleblower's comments. Based on that review, I have determined that the agency's report contains all of the information required by statute, and that its findings appear to be reasonable.

As required by § 1213(e)(3), I have sent a copy of the report and the whistleblower's comments to the Chairman of the Senate Committee on Agriculture, Nutrition, & Forestry, and the Chairman of the House Committee on Agriculture. We have also filed a copy of the agency report and the whistleblower's comments in our public file and closed the matter.

Respectfully,



Scott J. Bloch

Enclosures