

# Semiannual Report to Congress

April 1, 1988 — September 30, 1988



Office of  
Inspector General





United States  
Department of  
Agriculture

Office of  
Inspector  
General

Washington,  
D.C.  
20250

OCT 28 1988

Honorable Richard E. Lyng  
Secretary of Agriculture  
Washington, D. C. 20250

Dear Mr. Secretary:

I respectfully submit the twentieth Office of Inspector General's Semiannual Report to Congress summarizing the activities of the 6-month period ending September 30, 1988.

The Office of Inspector General continued to emphasize coverage of potential or developing problems in areas vulnerable to fraud, waste and mismanagement. Some of our more significant efforts during this reporting period involved loan programs for rural areas, farm support programs, nutrition programs, marketing and consumer programs, and the Department's efforts to continue improving its financial and management systems.

I appreciate the continued strong support you give to the Office of Inspector General in fulfilling our mission. With your support, I believe we have made continued progress in promoting economy, efficiency, and effectiveness in the Department and detecting and preventing fraud and other program abuses.

Sincerely,

ROBERT W. BEULEY  
Inspector General

Enclosure

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# EXECUTIVE SUMMARY

This is the 20th Semiannual Report issued by the Office of Inspector General (OIG), U.S. Department of Agriculture (USDA), pursuant to the provisions of the Inspector General Act of 1978 (P. L. 95-452). This report covers the period April 1, 1988, through September 30, 1988.

In reaction to the widespread drought conditions in 1988, Congress passed the Disaster Assistance Act of 1988 providing a variety of relief measures to affected

producers. OIG is monitoring the Department's efforts to implement the provisions of this act with the objective of informing the Department early of actual and potential problems.

Other areas of emphasis during the past 6 months included loan programs for rural areas, farm support programs, nutrition programs, marketing and consumer programs, and the Department's efforts to continue improving its financial and management systems.

## *Summary of Investigative Activities*

### **Investigative Reports and Cases**

Reports Issued.....	789
Cases Opened.....	688
Cases Closed.....	639
Cases Referred for Prosecution.....	333

### **Impact of Investigations**

Indictments.....	358
Convictions <sup>a</sup> .....	324

Total Dollar Impact (millions)..... \$ 15.6

Recoveries/Collections.....	\$ 5.6
Restitutions.....	\$ 3.2
Fines.....	\$ 2.0
Administrative Penalties.....	\$ 2.9
Cost Avoidance.....	\$ 1.9

### **Administrative Sanctions**

Employees.....	43
Businesses/Persons.....	186

<sup>a</sup> Includes convictions and pretrial diversions.



## Summary of Audit Activities

### Audit Reports Issued

Total Reports Issued .....	295
Internal and Special Purpose Reports .....	138
Audits Performed Under the Single Audit Act and Other Organization-wide Audits .....	68
Audits Under Contract .....	89

### Audit Reports Resolved/Closed

Reports Resolved and/or Closed .....	334
Internal Audit Recommendations Resolved .....	1,449
Total Dollar Impact (millions) .....	\$ 65.1
Management Commitments To Seek Recoveries .....	\$ 10.1 <sup>a b</sup>
Management Commitments To More Efficiently Use Funds .....	\$ 17.3 <sup>a</sup>
Improper Agency Actions (Not Intended for Collection) .....	\$ 37.7 <sup>c</sup>

<sup>a</sup> These were the amounts agreed to by the auditees at the time of resolution.

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

<sup>c</sup> Improper agency actions are monetary amounts identified by the audit as having been expended erroneously or improperly due to agency action and for which recovery is not possible. This also would include amounts incurred or earned in good faith by others, because they relied on incorrect or improper guidance, interpretations, or directions by agency personnel or instructions. If statistical projections are used in determining the values, the midpoint estimate is used.



# PREVENTION ACTIVITIES

## Disaster Assistance Act of 1988

### *More Data Needed on Nonprogram Crops*

Congress passed the Disaster Assistance Act of 1988 to provide assistance to producers whose crops were affected by the 1988 drought and other natural causes. The act implements new programs or requirements which the Agricultural Stabilization and Conservation Service (ASCS) will administer, such as emergency livestock assistance, emergency crop loss assistance, assistance to tree farmers, conservation assistance, and disaster credit forbearance which will impact on the Farmers Home Administration (FmHA). Total funding is \$3.9 billion.

OIG has been monitoring ASCS's efforts to implement existing programs to deal with the disaster and new programs required to be implemented under the act. Our objective is to help identify and correct problems early on. For example, OIG found that under the 1986 Drought Assistance Program in one State, excessive nonprogram crop yields were used to calculate disaster payments. Based on that audit, OIG recommended that ASCS develop yields for nonprogram crops, on a State-by-State basis, for use in the 1988 disaster programs. ASCS has agreed.

Overall, OIG found that ASCS was effectively working toward developing policies and procedures to implement the act's provisions. We identified three areas where ASCS needs to modify or change its approach:

- Establish separate yield and price data for fresh and processed nonprogram crops.
- Develop separate county averages for soybeans planted as a "double crop."
- Coordinate with the Federal Crop Insurance Corporation (FCIC) to develop a system to identify producers who are insured and are also applying for disaster benefits. Payments are not to be made until indemnity payment amounts are known.

Once the disaster assistance programs were implemented in October 1988, OIG began to monitor them to assure that internal controls had been implemented, that applications were processed in accordance with procedures, and that payments made or scheduled were correct.

### **Employee Given Cash Award for Cost Savings Disclosure**

A USDA employee was awarded \$10,000 under provisions of the Omnibus Budget Reconciliation Act of 1981. The authority is commonly known as "Monetary Awards for the Disclosure of Fraud, Waste and Mismanagement." This was the first disclosure award to be given by the Inspector General, and was awarded to an individual for submitting a "whistleblower" complaint, and then assisting OIG in an audit which resulted in multimillion dollar savings to USDA. The individual has asked to remain anonymous, and we have honored the request.



# SMALL COMMUNITY AND RURAL DEVELOPMENT

## Farmers Home Administration (FmHA)

FmHA is the Department's credit agency for rural development and agriculture. As of December 31, 1987, FmHA had about 1.2 million active borrowers and a loan portfolio of about \$64.3 billion, including \$4.6 billion in guaranteed loans. We placed emphasis during this period on FmHA's debt management practices over direct and guaranteed loans, and on investigation of conversions of collateral securing these loans.

### Management of Farmer Program Guaranteed Loans Needs Strengthening

FmHA administers two types of loans, direct and guaranteed. Direct loans are made and serviced by FmHA; guaranteed loans are made and serviced by private commercial lenders. FmHA guarantees repayment of up to 90 percent of guaranteed loans and monitors lender servicing of the loans. FmHA's guaranteed and direct farm loans are similar in terms of borrower eligibility criteria, loan purposes, loan repayment periods, and requirements for loan security. Farmer Program loans include farm ownership, operating, emergency, recreational enterprise, and soil and water loans to farmers, ranchers, and rural enterprises.

### Guaranteed Loans Made to Existing Lender Borrowers

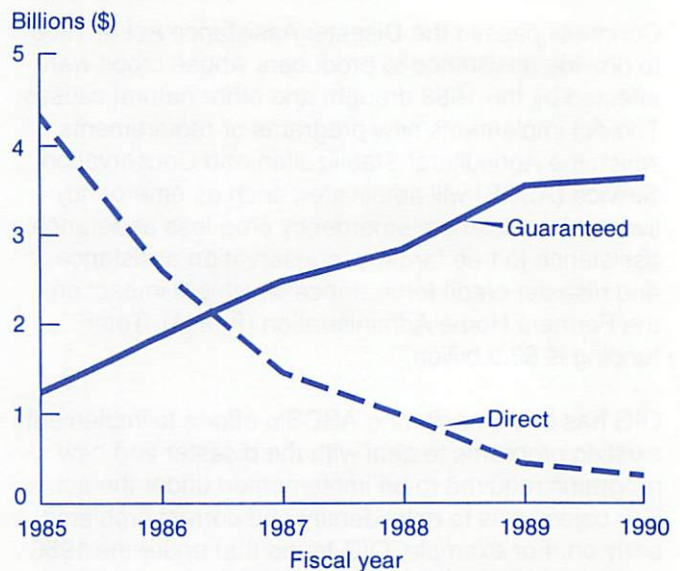
The Food Security Act of 1985 mandated the shifting of Farmer Program loan funds from direct to guaranteed loans. Figure 1 illustrates the extent of the decrease in direct loan funding and the increase in guaranteed loan funding.

Our audit of a random sample of loans made during Fiscal Years (FY) 1986 and 1987 revealed that FmHA was not successful in using available guaranteed loan funds or in shifting FmHA borrowers to guaranteed loans; instead new borrowers received the loans. Only 57 percent of available guaranteed operating loan funds were obligated during FY 1987; and prospective lenders, given the opportunity, opted to shift their own non-FmHA borrowers to the FmHA guaranteed loan program rather than to accept FmHA direct loan borrowers under a guarantee.

Of the 234 randomly selected loans reviewed, only 1 lender shifted an FmHA direct loan borrower to the guaranteed loan program. The remaining 233 sampled

Figure 1

### Loan Allocations



loans were to finance previous non-FmHA borrowers, 40 of whom may not have qualified for FmHA financing based on their strong financial conditions and another 13 of whom were insolvent. We projected that almost all of the 15,585 loans valued at \$1.5 billion in the sample universe went to finance previous non-FmHA borrowers; 3,065 loans totaling \$198.6 million were made to borrowers whose need for FmHA guarantees was questionable; and over 900 loans totaling \$132.7 million were made to borrowers who were insolvent.

We recommended FmHA establish a procedure to shift direct loan borrowers to the guaranteed loan program and monitor this conversion. In response, FmHA noted that while the Food Security Act of 1985 mandated the shifting of funds from direct to guaranteed, it did not mandate shifting existing borrowers with direct loans to guaranteed loans. In our opinion, because direct loan funds will decrease significantly in future years, direct borrowers will be without FmHA assistance if they are not shifted to guaranteed loans.

In addition, we recommended FmHA strengthen eligibility requirements to ensure that only those borrowers in need of guarantees receive them. FmHA disagreed and stated that if borrowers are required to obtain statements from several lenders that credit is not avail-



able, animosity among lenders and bad public relations for FmHA would ensue. In our view, to prevent abuses such as those found during the audit, the borrower needs to obtain evidence of his/her inability to get commercial credit from a source other than the involved lender.

We also recommended loans be withheld from those borrowers who are insolvent. FmHA responded that proposed regulations will require adequate loan security to assure repayment of a guaranteed loan request.

### ***Loan Origination Fees Too Low***

The 1-percent loan origination fee for guaranteed Farmer Program loans was inadequate to cover administrative and servicing costs and a portion of the cost of defaulted loans, as required by Office of Management and Budget (OMB) Circular A-129, "Managing Federal Credit Programs." During FY 1987 the \$10.6 million in fees collected covered 39 percent of the \$26.9 million in administrative and servicing costs, and covered only 10 percent of the combined \$106.5 million administrative and defaulted loan costs. Based on FY 1987 data, an additional \$95.4 million in fees would be needed to cover administrative and servicing costs and defaulted loan losses.

OIG recommended FmHA establish sufficient loan origination fees. FmHA replied that significant increases in charges would be detrimental to its efforts to implement the newly established guaranteed loan program. We disagree with the agency's position. Failure to prescribe adequate fees results in an unintended subsidy to the borrower.

### ***Guaranteed Portion of the Loans Could be Reduced***

FmHA generally approved the guarantee percentages at the maximum 90-percent rate and did not negotiate with lenders based on the degree of risk exposure for the loans. The number of States with 90 percent or more of the guaranteed loans approved at the maximum guarantee rate increased from 25 in FY 1986 to 34 in FY 1987. As a result, the average guarantee percentage increased from 85.7 percent in FY 1986 to 87.0 percent in FY 1987. Based on an FmHA study, each percentage of decrease reduces FmHA's loss exposure by \$13.7 million. FmHA could reduce its loss exposure on defaulted guaranteed loans about \$96 million by reducing the average guarantee percentage to 80 percent.

We recommended FmHA issue specific policies and procedures to ensure consistency in negotiations of

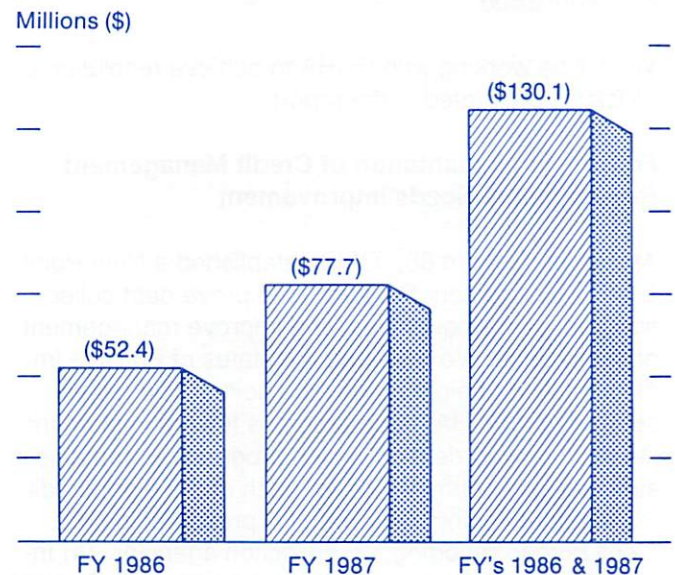
guaranteed loan percentages with lenders. FmHA responded that the Agricultural Credit Act of 1987 states the Secretary should issue guarantees to the maximum extent practicable to assist eligible borrowers. Accordingly, FmHA intends to issue all guarantees at the 90-percent level. In our opinion, the primary determinant in establishing the level of guarantees is the lenders' risk exposure for the loans.

### ***Debt Collection Requirements Not Met***

OMB Circular A-129 debt collection requirements were not met for Farmer Program guaranteed loans. There were no policies and procedures requiring FmHA, or financial institutions on behalf of FmHA, to collect debts remaining after liquidation of loan security when borrowers defaulted on Farmer Program guaranteed loans. FmHA did not consider defaulted guaranteed loans to be debts. Defaulted Farmer Program guaranteed loans were considered satisfied when FmHA settled with the lending institutions on the loan guarantee even though only the assets pledged as security were liquidated and the borrowers continued to operate. There was no attempt to collect \$140.1 million in Farmer Program guaranteed loan losses during FYs 1986 and 1987 (see figure 2).

Figure 2

### ***Defaulted Guaranteed Loans Not Established as Debts***



We recommended FmHA record defaulted loans as debts due the agency and then implement the collection actions delineated in OMB Circular A-129. FmHA



disagreed with our recommendation. They believe the circular provides that guaranteed loans do not become formal debts unless the loans are purchased from lenders when in default. Since FmHA rarely does this, they believe the losses stemming from defaults should not be established as debts.

Our position is that when FmHA must reimburse the lender to the extent of the defaulted borrower's guarantee, an economic gain (in the form of forgiveness) accrues to the borrower and an economic loss accrues to FmHA. Since Farmer Program participants may have substantial current and future assets in addition to the collateral for the specific loan on which they defaulted, FmHA has ample leeway to seek recovery of its losses.

### Loan Applications Deficient

Guaranteed loan applications submitted by lenders were not always complete, and lender servicing of approved loans was not always adequate. All of the 234 loans reviewed contained at least 1 loan processing deficiency while two-thirds of the loans reviewed contained at least 1 servicing deficiency. We projected that processing deficiencies existed for all 15,585 loans in the sample universe and that servicing deficiencies existed for 10,604.

We recommended that FmHA strengthen its controls over loan processing and servicing; the agency basically concurred.

We will be working with FmHA to achieve resolution on all issues presented in the report.

### FmHA's Implementation of Credit Management Requirements Needs Improvement

As part of "Reform 88," OMB established a Nine Point Credit Management Program to improve debt collection, reduce delinquencies, and improve management of receivables. We reviewed the status of FmHA's implementation of eight of the nine points. The review showed that FmHA made progress toward implementing an improved debt collection program but remains in substantial noncompliance for each of the eight credit management points reviewed: (1) prescreening, (2) credit bureau reporting, (3) collection agencies, (4) Internal Revenue Service (IRS) refund offset, (5) Federal employee salary offset, (6) litigation, (7) write-offs, and (8) account servicing.

Our review emphasized application of the credit management program for FY 1987 activities of the Farmer Program and Rural Housing insurance funds. Figure 3

shows new loans and loan guarantees and figure 4 shows the status of accounts, both as of September 30, 1987.

Figure 3

### FY 1987 New Loans

Dollar value of new loans  
(Billions)

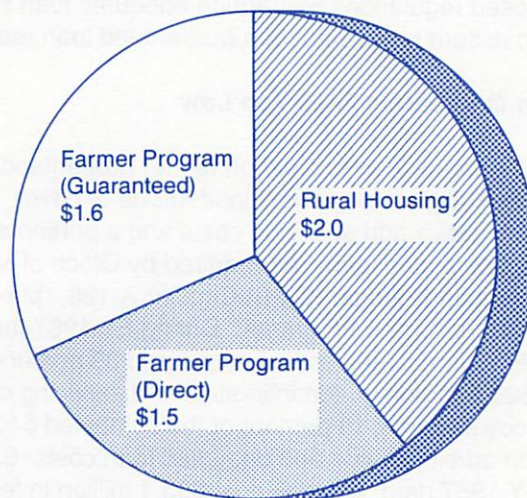
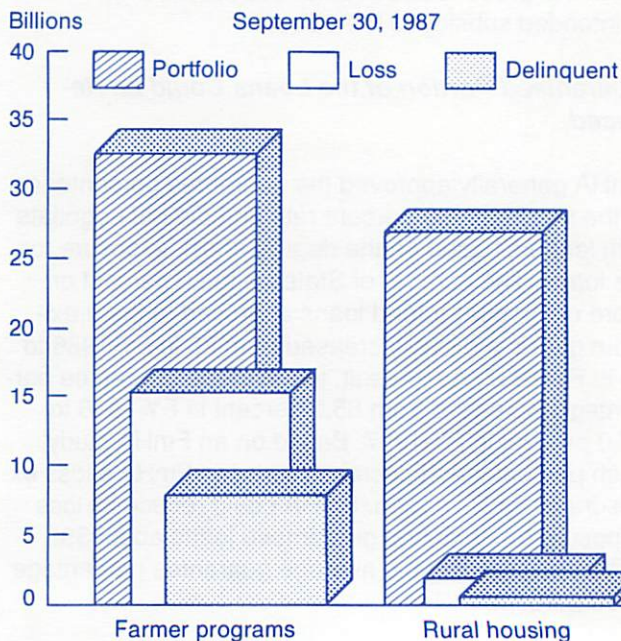


Figure 4

### Status of Accounts





The following paragraphs discuss the improvements needed in the eight credit management points:

**Prescreening** - Loan applicants were not prescreened for creditworthiness. FmHA did not obtain credit reports on Farmer Program direct-loan applicants, screen applicants against IRS delinquent tax files, require lenders to obtain credit reports for guaranteed loans, or screen applicants to identify those who had defaulted on prior FmHA loans. During FY 1987, FmHA made or guaranteed about 90,000 loans totaling \$5.1 billion without performing or requiring adequate prescreening of the applicants.

**Credit Bureau Reporting** - Neither commercial accounts nor delinquent consumer accounts were reported to credit bureaus as required. FmHA had not reported or required lenders to report to credit bureaus about 162,000 qualifying accounts totaling \$16.7 billion, or reported loans to the major companies in the network of credit bureaus. Where accounts had been reported, FmHA had not included pertinent information (e.g., payment status) about loans.

**Collection Agency** - FmHA is prohibited by law from contracting with private debt collection firms to collect delinquent payments from borrowers. The FY 1987 and 1988 appropriation acts prohibited the agency from using this resource to help collect the \$8.8 billion in delinquent payments from borrowers.

**IRS Refund Offset** - Over 64,000 direct loan borrowers with defaults of \$8.4 billion were not referred to IRS for tax refund offset, and defaulted guaranteed loans of \$141.6 million had not been referred. Other measures FmHA needed to take were maintaining subsidiary files on debts written off for annual referrals to IRS, and referring accounts for tax refund offset prior to write-off.

**Federal Employee Salary Offset** - FmHA had not implemented salary offsets against Federal employees delinquent on their loans. A July 1987 computer match identified 3,145 borrowers with delinquencies totaling \$31.5 million who were potential candidates for Federal salary offset, but county supervisors recommended salary offsets against only 172 of the borrowers. We reviewed 183 cases in 47 field offices and questioned FmHA's basis for not pursuing salary offsets in 25 percent of these cases. As of March 1988, no Federal salaries had been offset. We also found that about 64,000 inactive direct loan borrowers with \$8.4 billion in delinquencies, all co-borrowers liable for delinquent direct loans, and the borrowers and personal guarantors for \$141.6 million guaranteed loan

losses, were not matched to identify Federal employees and members of the armed forces, U.S. Postal Service employees, or quasi-Federal employees of agencies such as ASCS.

**Litigation** - FmHA has over 25,000 cases totaling \$3.1 billion backlogged at the Department of Justice pending litigation and judgment enforcement. The backlog resulted from a shortage of resources and higher priority cases at Justice, and from FmHA's submission of inadequately prepared cases. The Department estimated the backlog at Justice costs \$240 million annually in carrying and servicing expenses. USDA itself does not have an effective automated system to track referrals; as a result, USDA has been unable to reconcile more than \$1 billion in differences between FmHA records and those of Justice.

**Write-offs** - FmHA continues to carry a substantial amount of uncollectible receivables. As of September 30, 1987, FmHA had about 483,000 accounts which were delinquent in the amount of \$8.8 billion. Field offices had placed 47,000 of these accounts totaling \$1.8 billion in a collection-only status. FmHA should consider additional write-offs, assess why goals were not met, assess debtors' repayment ability prior to write-off, conform to Treasury's write-off procedures, and report discharged debts to IRS as income.

**Account Servicing** - FmHA did not properly disclose delinquent receivables on financial reports as required by generally accepted accounting principles for the Federal Government and OMB Circular A-129. Delinquencies were understated to the Treasury by as much as \$5.8 billion because FmHA reported only past-due installments as delinquent rather than the total balance of loans seriously defaulted. These loan balances were reported as nondelinquent long-term receivables rather than as delinquent receivables.

In response to our recommendations FmHA agreed to obtain credit reports, report to credit bureaus, request salary offsets, track litigation, and write off uncollectible accounts.

However, FmHA disagreed with our recommendations to implement tax refund offsets against delinquent Farmer Program borrower's, seek legislative authority to use private debt collection firms, report written-off debts as income to the discharged debtors, and report all accounts 6 months or more delinquent and accounts that have been accelerated.

We believe all our recommendations are consistent with the requirements of OMB Circular A-129 and with Department of the Treasury financial reporting guide-



lines. We are presently working with the agency to resolve the remaining open recommendations.

### **Internal Control Weaknesses Contributed to Undersecured FmHA Loans and Loss of Loan Security**

Internal controls were not effective in identifying and correcting problems in managing Farmer Program loans and accounting for security property. FmHA reported that as of September 1987, the agency held over 754,000 outstanding Farmer Program loans totaling \$32.4 billion, of which about 281,000 loans (37 percent) were delinquent by about \$8.5 billion (26 percent). We projected that of the 281,301 Farmer Program borrowers in the 48 contiguous States (our universe) with about \$28.9 billion in outstanding loans, 93,297 borrowers (over 33 percent) had loans that were undersecured.

Our review also disclosed that FmHA had not adequately supervised Farmer Program loans to avoid delinquency and undercollateralization and had not employed adequate or timely servicing actions to collect the loans or resolve borrowers' financial problems. FmHA also did not always take liens on all available security borrowers had to offer. We projected that only 98,944 (61 percent) of 162,962 borrowers who produced crops had given crop liens and that only 90,731 (47 percent) of 190,767 borrowers who produced livestock had pledged their livestock as security.

FmHA did not properly account for security property serving as collateral for Farmer Program loans. County offices did not always adhere to regulations requiring Farm and Home Plans, farm visits and chattel checks to monitor loan security, and release of basic and income security. We estimated that FmHA had not prepared a Farm and Home Plan for approximately 158,000 borrowers (56 percent) and that about 84,000 borrowers (30 percent) had not had a recent farm visit. As a result, crops, livestock, and equipment were not properly accounted for by borrowers. We projected that over 24,000 borrowers had made unauthorized dispositions of equipment under lien worth \$92.3 million and that over 12,000 borrowers had not accounted for at least \$35.6 million in livestock.

We recommended FmHA focus corrective actions on those areas with continuing problems and provide guidance and resources to field staff to train them in the basic loan making, supervision, and servicing regulations. FmHA generally concurred with all of our recommendations and has implemented corrective action.

### **Courts Move Against Two Loan Security Sale Cases**

A Federal grand jury in Arkansas returned a 10-count indictment against an FmHA borrower charging him with the unauthorized disposition of FmHA-mortgaged property. The indictment charged the farmer with selling FmHA-mortgaged timber and livestock with a value in excess of \$50,000 without FmHA authorization, and converting the proceeds to his own use. Trial is pending.

In another case, a Georgia dairy farmer pled guilty to making a false statement to FmHA on a security agreement. The subject mortgaged farm equipment to FmHA that was already under lien to a local bank, and received almost \$261,000 in FmHA loans for the operation of his dairy farm. He later abandoned his farm, and it was discovered that he had cattle sales totaling almost \$163,000 that were unreported to FmHA. The dairy farmer was sentenced to 6 months' imprisonment and placed on probation for an additional 4 1/2 years.

### **Scheme To Take Advantage of FmHA Foreclosure Proceeding Aborted**

An individual in Louisiana obtained title to 14 rural housing single-family dwellings undergoing judicial foreclosure with the intention of renting the properties during the foreclosure period, which currently takes about 4 years. The individual obtained the titles through cash sale deeds from the borrowers after they abandoned the properties. The cash sale deeds stated the individual was to assume the FmHA indebtedness on the properties; however, when FmHA offered to sell the properties to the individual, he declined. The individual contracted with the local housing authority to rent the properties to low-income tenants eligible for the Department of Housing and Urban Development (HUD) Section 8 housing assistance program. The individual received over \$27,000 in rent and HUD rental assistance for the houses after obtaining title to the properties.

We coordinated with the HUD/OIG on this matter. The HUD/OIG alerted its Office of General Counsel, which promptly issued a notice of suspension and debarment to the individual and the local housing authority. The HUD notification cited "serious irregularities in business dealings with the Government."

FmHA instructed the Louisiana State Director to coordinate with the U.S. Attorney and U.S. Marshall to expedite foreclosure of the properties involved and instructed its field staff to notify the National Office if



such practices are discovered in the future. FmHA will also coordinate with HUD to develop a system to check for HUD Section 8 participation in FmHA properties undergoing foreclosure. In addition, FmHA will draft legislation to include FmHA under Public Law 91-609, Section 912 (Equity Skimming). Quick action on the part of FmHA precluded the misapplication of a minimum of \$80,000 of Government funds.

### **Criminal Actions Brought Against Former FmHA Officials**

Employee integrity continues to be a major priority for OIG. During the past 6 months, investigations resulted in several criminal actions against current or former FmHA officials for allegations of impropriety, as follows:

- An FmHA county supervisor in North Carolina was indicted on five felony counts including embezzlement, conflict of interest, and extortion. The indictment alleged specifically that the county supervisor: traded the equity in two FmHA-owned houses and \$4,000 cash to a car dealer for a Porsche automobile valued at \$32,000; purchased an \$18,000 balloon payment promissory note for \$2,000 from an FmHA borrower who was liquidating assets at the county supervisor's insistence; used money from a second FmHA borrower's loan proceeds to make repairs on an FmHA-owned house that was later sold to the county supervisor's father-in-law; and attempted to extort a house from FmHA borrowers who had applied for a farm operating loan. Trial is pending.
- As a result of an OIG investigation, a former Ohio FmHA county office assistant, whose functions included the collection of loan payments, was indicted on one count of embezzlement. The indictment charged the former county office assistant with converting approximately \$44,000 to her own use. It was alleged that the county office assistant covered up prior cash thefts by misapplying payments to other accounts. The former county office assistant pled guilty to the charge of embezzlement and was sentenced to 3 years' imprisonment.
- As reported in the previous Semiannual Report, a former FmHA State Director pled guilty to conspiracy, conspiracy to travel in aid of racketeering, false statements, and false declarations, all in connection with his approval of FmHA's funding for the construction of 300 low-cost housing units. The former State Director has been sentenced to 1 year in prison, placed on 3 years' probation, and ordered to pay a fine of \$55,000. One codefendant, a

former FmHA housing loan packager, pled guilty to concealing a felony and was given a 2-year suspended sentence, placed on 2 years' probation, and ordered to pay a \$500 fine. The sentencing of the other codefendant was previously reported. This investigation was conducted jointly with the Federal Bureau of Investigation.

- A former Oklahoma FmHA county supervisor entered a plea of guilty to a one-count felony information charging him with making a false entry in a borrower's FmHA file while acting in his official capacity as county supervisor. The former county supervisor was found to have embezzled almost \$4,000 which was part of a larger payment received during the FmHA liquidation of the borrower's chattels. He was sentenced to serve 3 months in prison and to serve the balance of his 3-year sentence on probation. He was also fined \$2,000 and ordered to pay restitution to FmHA.
- As a result of another OIG investigation, a former FmHA county supervisor admitted that he accepted cash payments from persons doing business with FmHA while he was employed by FmHA in Texas. The former county supervisor pled guilty to a charge of bribery and was sentenced to serve 18 months in prison. A person assisting the county supervisor in covering up the bribery was accepted into the pretrial diversion program for a period of 12 months and agreed to pay \$500 in restitution to FmHA.

### **Lender Violations May Make Business and Industrial Loan Guarantees Unenforceable**

- An audit of a \$7.3 million Business and Industrial (B&I) loan to a manufacturer/seller of equipment for marine and energy industries found that the terms of the loan were violated, in part, in that the lender did not: (1) fully and accurately disclose to FmHA the borrower's loan agreement with another bank prior to loan closing; (2) assure the propriety of the valuation and adequacy of collateral at loan closing; (3) adequately account for and assure the maintenance, security, and propriety of disposition of collateral; and (4) assure the accountability and proper use of loan funds. A number of conditions resulted from the above violations: \$5.3 million in loan funds was used to pay part of the borrower's debt to a major creditor rather than refinance the borrower's loans with the creditor as anticipated by FmHA; \$4.6 million in inventory (47 percent of the total collateral pledged as security for the loan) was not appraised; \$6.6 million in loan funds, used to refinance the borrower's indebtedness to creditors,



exceeded the appraised value of the loan collateral by almost \$2 million; \$2.2 million in inventory was transferred to borrower-affiliated companies prior to liquidation and without FmHA approval; \$95,000 in equipment collateral was sold without applying the proceeds to the loan; and \$468,000 was used for unauthorized purposes.

- The lender of a B&I loan to build a hotel complex violated the terms of this loan, permitting the borrower to construct a 2-story facility about half the size of the approved 6-story complex. From this \$7.3 million loan, funds of about \$422,000 were used for unauthorized purposes, and over \$2 million in loan funds was unaccounted for. Without FmHA approval, the lender made additional loans totaling almost \$4.5 million to the borrower subsequent to loan closing and the execution of an Assumption and Transfer Agreement between borrowers. The lender did not require the borrower to provide quarterly and annual audited financial statements and did not timely notify FmHA of the borrower's default on the loan.

FmHA agreed with the conditions reported and referred these cases to the Office of the General Counsel for a legal determination of the enforceability of the loan note guarantee.

### **Rural Electrification Administration (REA)**

REA makes or guarantees loans to rural electric and telephone utilities in rural areas. As of December 31, 1987, REA had about 1,960 active telephone and electric borrowers with outstanding revolving fund loans of \$14.3 billion, telephone bank loans of \$1.4 billion, and loan guarantees of \$22.6 billion.

### **Improvements Needed in REA Processing of Generation and Transmission Loan Applications**

Our review of a \$698.8 million loan application disclosed that the applicant planned to sell 25.66 percent of REA-financed generation capacity to an investor-owned utility for a 10-year period although the capacity was needed to meet the applicant's projected power generation requirements in 1996 when the facility becomes operational. We also found inadequacies in REA loan processing which, in our opinion, precluded a thorough validation of the applicant's computer-generated feasibility study for the proposed project.

At the time of our review, REA had not questioned a provision in the loan application providing for a 10-year sale of 155 megawatts of REA-financed capacity (about 19 percent of project capacity and 25.66

percent of REA-financed capacity) to an investor-owned utility. The capacity to be sold accounted for about \$179.3 million of construction costs to be financed by REA. In our opinion, the proposed sale of capacity financed by REA and needed by the borrower immediately upon completion of construction was inconsistent with objectives of the Rural Electrification Act of 1936, as amended, which authorizes loans to finance construction and operation of electric generating facilities to provide electric power to rural customers who are not receiving central station service. Officials of the applicant company informed us that the capacity sale enhanced the economic feasibility of the proposed pumped storage hydroelectric project as compared to other types of generation facilities.

In our opinion, improvement is needed in REA loan processing procedures and controls to ensure that the eligibility and financial viability of proposed generation and transmission facilities are adequately and consistently verified. In addition, REA needs the availability of additional expertise and equipment to ensure that feasibility projections based on computer modeling/simulation programs are reasonable in relation to base data/assumptions. Our audit disclosed several questionable areas in the loan application and feasibility study that had not been independently verified by REA staff at the time of our review. In the absence of a detailed validation process over computer modeling, inputs, and results, we concluded that REA lacks reasonable assurance that the proposed power generating facility is the most economical alternative to meet the forecasted power need.

IREA informed the applicant on June 22, 1988, that other funding would have to be obtained to finance the capacity for the non-act beneficiaries, or feasibility studies would have to be revised to exclude the capacity sale. The applicant opted to delete the unit power sale and submit revised feasibility studies. Although REA acknowledged that loan processing procedures were not documented and that computer modeling, inputs, and results were not validated, it believed that its existing procedures were adequate to ensure that approved projects met all applicable REA policies and requirements. REA, however, agreed to review procedures to determine areas where improvements could be made. REA also agreed to study the need for upgrading its expertise and computer equipment capabilities to verify project simulations and computer-based projections for future projects. Further, REA organized a review team of REA and Federal Energy Regulatory Commission personnel and conducted a limited review to obtain further assurances that the applicant's computer modeling projections were reasonable and reliable. This review was



adequate, in REA's opinion, to validate the applicant's computer-generated feasibility study.

### **Federal Crop Insurance Corporation (FCIC)**

FCIC is a wholly owned Government corporation created to promote the economic stability of agriculture through a sound system of all-risk, all-crop insurance. The Federal Crop Insurance Act of 1980 also encouraged FCIC to provide insurance through an all-private delivery system and mandated FCIC to offer a program of reinsurance to insurers in the private sector who sell their own crop insurance policies.

### **Audit of Potato Insurance Program Finds Overpayments and Inadequate Guidelines**

During this semiannual period we completed an audit of the FCIC potato policy and loss adjustment procedures. Potatoes is one of over 35 specialty crops for which FCIC provides insurance coverage. For potatoes in crop year 1986, \$3.3 million was collected in premiums on 1,371 farm units, and \$10.6 million was paid out in losses for a loss ratio of 320 percent.

Under the basic potato policy, coverage is provided based on the insured's production history, which is used to establish a production guarantee per acre. A claim is paid when production is less than the guarantee. For crop year 1986, the potato policy was revised to include a "Quality Option," under which a claim is paid when the percentage meeting grade U.S. No. 1 or 2 is less than the policyholder's historical percentage of potatoes meeting grade.

Our audit of 20 claims totaling \$2.4 million disclosed errors in the loss adjustment process in about 85 percent of the claims. The adjustment errors resulted in excessive indemnities totaling about \$520,000. We recommended FCIC collect these overpayments.

We also found FCIC policy provisions and loss adjustment guidelines were inadequate to assure consistent and equitable adjustment of all potato claims, especially for potatoes insured under the "Quality Option" or placed into storage at harvest time. As a result, internal controls were insufficient to preclude program abuses and excessive loss payments.

We recommended FCIC develop procedures to either create or strengthen controls intended to assure consistent grading of potatoes insured under the "Quality Option," equitable adjustment of losses under the Basic Potato Policy provision, and verification of production in all instances. FCIC agreed to incorporate our recommendations into the potato policy and related loss adjustment procedures for the 1989 crop year.

### **Farmer Sentenced**

In a previous Semiannual Report, we reported the indictment of a Nebraska farmer for allegedly filing false reports to FCIC. The farmer was subsequently found guilty in a jury trial and sentenced to 60 days in prison. He was also placed on 4 years' probation and ordered to pay \$47,000 in restitution.



# INTERNATIONAL AFFAIRS AND COMMODITY PROGRAMS

## **Agricultural Stabilization and Conservation Service (ASCS)**

ASCS administers commodity and related land use programs designed for voluntary production adjustment; resource protection; and price, market, and income stabilization. ASCS administers the activities and programs funded by the Commodity Credit Corporation (CCC), which is wholly owned by the Federal Government.

FY 1988 net outlays for ASCS are estimated at \$298.2 million for traditional conservation programs and the dairy indemnity program, and \$733 million for the Conservation Reserve Program. All other ASCS operations are funded by CCC with estimated outlays of \$17.7 billion.

## **Production Adjustment Programs**

### ***Payment Limitation Scheme Reported***

The principal owner of several banking institutions, through unusual lending practices and security requirements, devised a scheme to evade the \$50,000 payment limitation for the Conservation Reserve Program. The banker used a "financing plan" to purchase farms enrolled in the Conservation Reserve Program. Through the financing arrangements, the banker was able to: (1) retain managerial control of the farms; (2) receive the majority of the program payments in the form of loan repayments; and (3) obtain the benefits of ownership, including 40 to 50 percent of the total equity in the property.

The banker had loaned about \$20 million (approximately 140 loans) to employees, associates, and others to purchase the farms. These borrowers invested either no capital or only a minimal amount. The process designed by the banker to receive program payments in excess of the \$50,000 maximum is depicted in figure 5.

ASCS payments of about \$3 million had already been made to the borrowers, with an additional \$27 million scheduled to be paid over the remaining contract periods. The bank loans and ASCS program payments were disbursed to persons holding 72,000 acres enrolled in the program in seven States as illustrated in figure 6.

ASCS has withheld the 1988 payments and is now determining if any of the borrowers are entitled to

payments, as well as their eligibility to continue the existing contracts. This decision was based on a determination that the banker and the borrowers participated in a scheme to avoid application of the \$50,000 maximum in program payments to all such "financed" farms and other farming interests of the banker.

### ***Guilty Pleas and Sentencing in Payment Limitation Cases***

- We reported in our previous Semiannual Report that a Nebraska producer pled guilty to conspiracy to defraud the Government relating to a scheme to circumvent the \$50,000 payment limitation regulations. The producer was sentenced to 5 years' imprisonment (which was suspended), placed on 3 years' probation, fined \$25,000 plus court costs, and ordered to perform 300 hours of community service.
- Another Nebraska producer pled guilty to misrepresenting himself as the owner and operator of a farm he had leased to another, in order to obtain farm program benefits. The producer was fined \$2,500 and ordered to make restitution of over \$16,000.

### ***Unrealistic Yield and Price Data Results in Excessive Deficiency Payments***

Because ASCS relies on unrealistic yields and prices for hybrid and certified seeds, excessive deficiency payments were made to producers who used program acreages to produce these crops. Deficiency payments for hybrid seed acreages are based on the yield for regular field crops although the yields for hybrid seed production are substantially lower. Further, ASCS did not seek legislative authority to use the market prices for seeds as a basis of payment eligibility, even though market prices for seeds have substantially exceeded target prices. We estimate that excessive deficiency payments to producers totaled about \$342 million during 1985 through 1987.

OIG recommended ASCS use actual yields for hybrid seed when computing deficiency payments, and seek legislation to either establish separate market prices for seed crops or to suspend deficiency payments when market prices for seeds exceed the target prices. ASCS disagreed with our recommendations, citing among other things that the market prices for seeds are captured by the National Agricultural Statistics



Service (NASS) when it calculates the national market price for feed grains.

However, NASS officials told us that in compiling the national average market prices, they exclude the prices received by producers who grow hybrid or certified seeds. The exclusion of these crops results in a substantial understatement of the national average market prices for program crops. For example, if NASS included the value of hybrid seed corn into the national market price data for 1987, the market price for corn would have increased between 2 and 3 cents per bushel, and deficiency payments to producers that year would have decreased by about \$170 million.

We continue to work with the Department to see that legislation is obtained, or separate market prices are established for seed crops. If legislation is not sought, we are recommending the Department have NASS include in its calculations the market prices received by producers of hybrid and certified seed.

### ***Indictment in False Statement Case***

A Texas producer was recently indicted for allegedly providing false rice acreage reports in order to obtain deficiency and diversion payments totaling \$32,000 and for converting the payments to his own use. Our investigation disclosed that no rice was planted by the producer during the certification period. Trial is pending.

### ***Some FmHA Borrowers Participated in ASCS Programs in Violation of Their Loan Agreements***

ASCS did not coordinate with FmHA to identify FmHA borrowers whose loan conditions precluded their participation in ASCS programs. In response to our prior audit, ASCS had agreed to develop procedures to identify such borrowers; however, we identified nine FmHA grazing associations in violation of their FmHA loan agreements and ASCS Conservation Reserve and/or Production Adjustment Program participation

Figure 5

### **Payment Limitation Scheme Reported**

Flow of CRP Payments

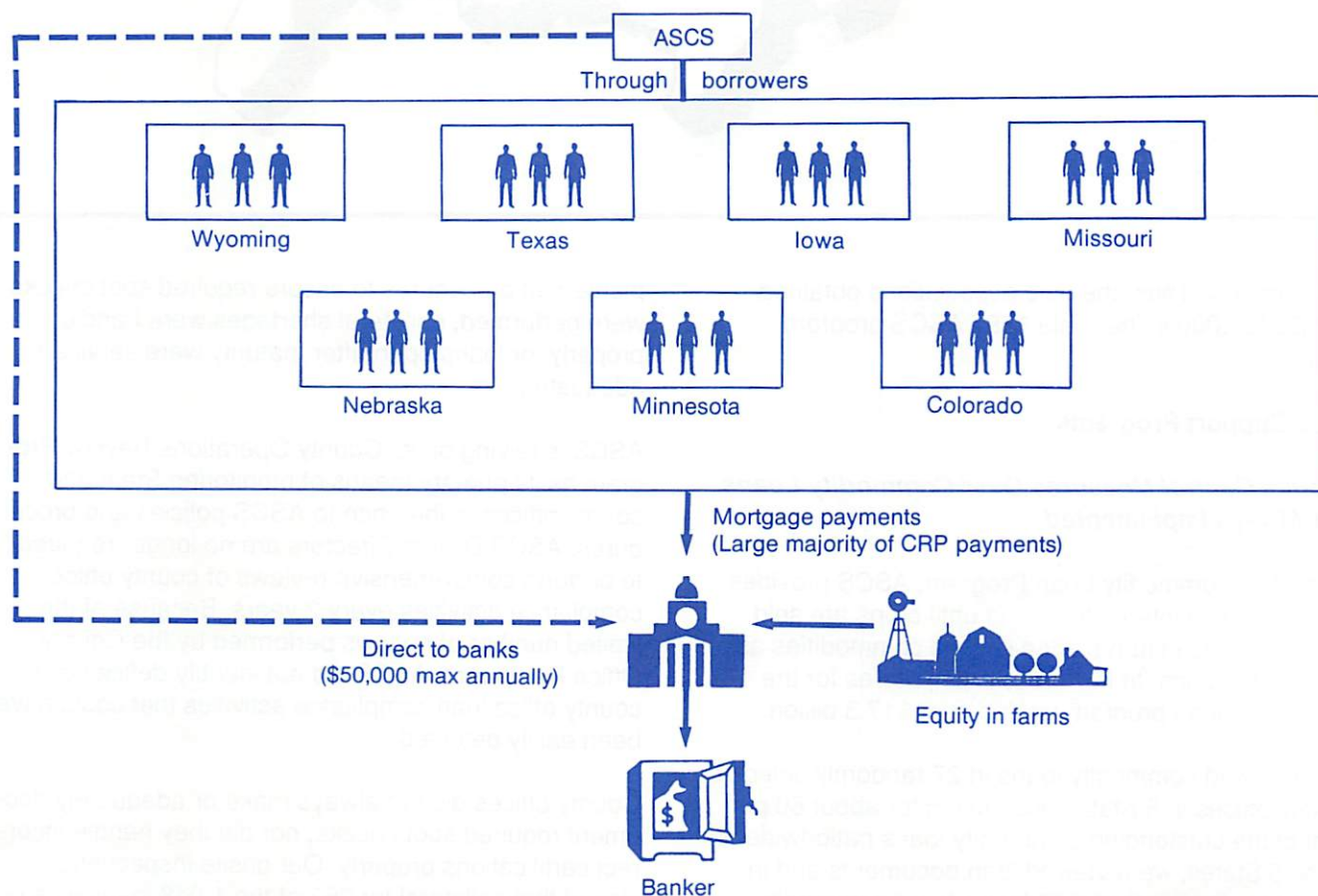
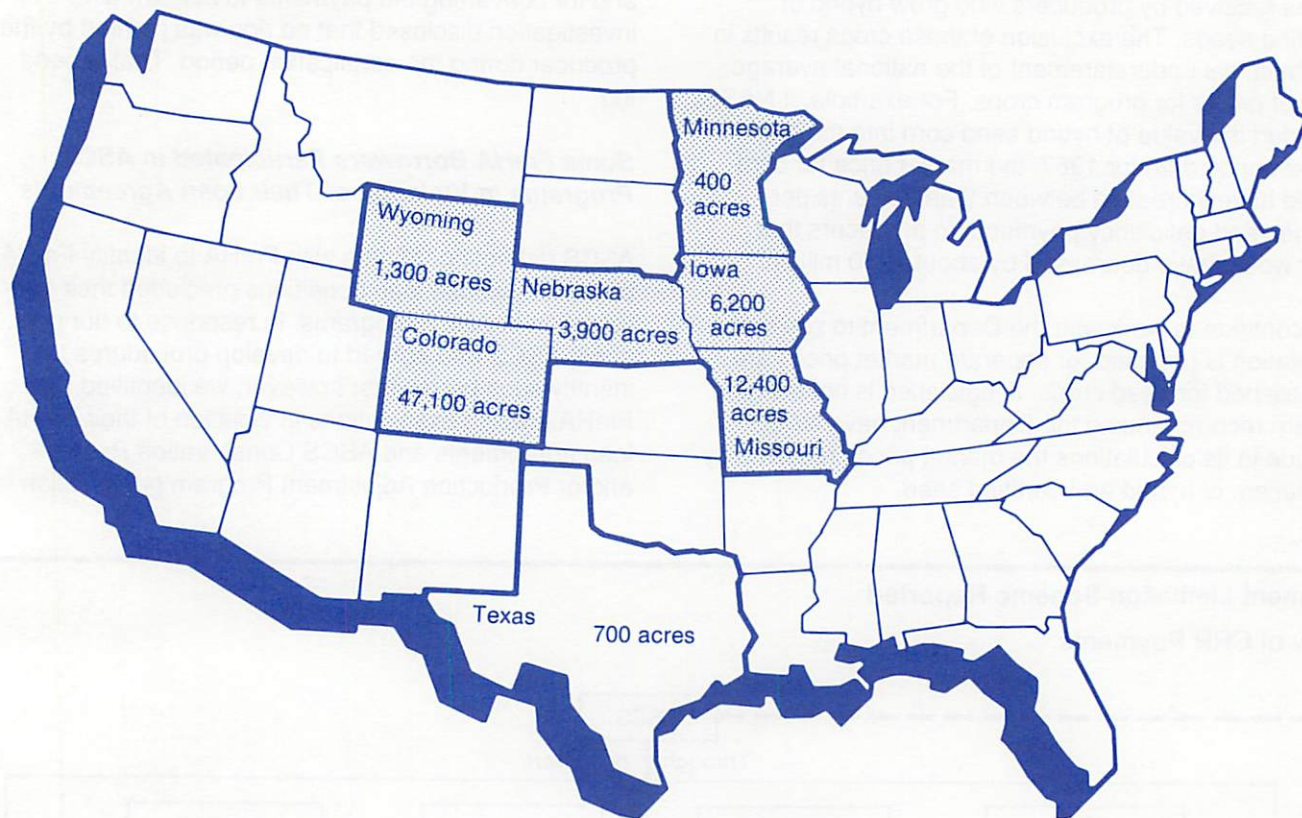




Figure 6

## Payment Limitation Scheme Reported

CRP Land - 72,000 Acres



requirements. Thus, the nine associations obtained about \$126,000 in ineligible 1987 ASCS program benefits.

### Price Support Programs

#### ***Internal Control Measures Over Commodity Loans Not Always Implemented***

Under the Commodity Loan Program, ASCS provides producers with interim financing until crops are sold, and producers in turn pledge eligible commodities as security for loans. In FY 1986, expenditures for the commodity loan program totaled over \$17.3 billion.

We reviewed commodity loans in 27 randomly selected county offices in 5 States accounting for about 60 percent of the outstanding commodity loans nationwide. In those 5 States, we reviewed loan documents and inspected collateral for 1,048 farm-stored commodity loans valued at about \$33 million. ASCS had not im-

plemented procedures to assure required spot checks were performed, collateral shortages were handled properly, or loans open after maturity were serviced adequately.

ASCS is relying on its County Operations Review Program as its primary means of monitoring State and county offices' adherence to ASCS policies and procedures. ASCS District Directors are no longer required to perform comprehensive reviews of county office compliance activities every 2 years. Because of the limited number of reviews performed by the County Office Reviewers, ASCS did not identify deficiencies in county office loan compliance activities that could have been easily detected.

County offices did not always make or adequately document required spot checks, nor did they handle incorrect certifications properly. Our onsite inspections disclosed that collateral for 267 of the 1,048 loans was either missing or in danger of going out of condition.



Based on the sample results, we projected that in the 5 States audited over 398 million bushels valued at \$972 million may be missing or in danger of going out of condition.



Of the 3,542 loans open after maturity in the 27 county offices, we reviewed 1,716 and found all but 93 had been settled or extended. The 93 loans remaining open after maturity had principal balances totaling over \$1.4 million. Our onsite inspections of collateral again disclosed shortages and grain collateral going out of condition. For these loans, we projected that over 1.4 million bushels of grain valued at over \$3.5 million may be missing or in danger of going out of condition for loans open after maturity in the five States audited.

#### ***Inadequate Controls Over Rice Loans Result in \$10.7 Million Loan Excess***

The Food Security Act of 1985 provides for price support to eligible rice producers through CCC loans redeemable by repaying only a portion of the loan principal, usually about 50 percent. Producers could obtain rice loans through the ASCS county office or through the rice cooperatives where they were members. ASCS authorizes cooperatives to obtain loans on behalf of their members and distribute the loan funds accordingly.

ASCS controls over rice loans to cooperatives were not adequate to preclude or detect excessive or ineligible loans. Verifications were not required or

made to ensure cooperatives accurately reported the quality and quantity of rice for loan or to ensure the eligibility of the rice placed under loan.

We identified excessive loans totaling \$10.7 million as follows:

- Two cooperatives received an excess \$10 million after overstating rice grades and milling yields;
- Four cooperatives received an excess \$680,000 after processing loans for rice grown on ineligible farms or for persons who were not members of the cooperative; and
- Two cooperatives received an excess \$21,000 after either misstating the class of rice under loan or off-setting a duplicate loan with a lower grade rice.

Of the total excessive loan amounts identified, \$3.5 million had not been repaid because price support loans are repaid at a portion of the loan rate. We recommended ASCS establish controls at its county offices and at the rice cooperatives to ensure loans are obtained only for eligible rice and are based on the actual grades and milling yields.

#### ***Indictments and Convictions Resulting from Investigations***

- The president of a New York grain elevator was placed on 2 years' probation after he pled guilty to criminal conversion of over 77,000 bushels of Government-owned corn. After OIG's investigation was completed, and prior to his guilty plea, he made restitution by replacing the corn, valued at \$140,000.
- A corporation and two prominent Oklahoma producers were indicted for conspiracy, perjury, subornation of perjury, and unauthorized disposal of mortgaged property following an investigation into an alleged bankruptcy fraud scheme which would have cheated FmHA, ASCS, and other creditors out of more than \$3 million. The indictment alleged the men entered into a conspiracy to form a corporation for the sole purpose of concealing assets belonging to one of the producers from creditors and the Federal bankruptcy court. In addition, the indictment charged that the producer illegally converted to his own use over \$490,000 in assets mortgaged to USDA. Trial is pending.
- A Colorado wool grower was indicted for making false statements to CCC and for converting CCC funds in a scheme to submit false receipts and



applications for payments to ASCS. The false documents showed sales of wool, shorn lambs, and mohair under the Wool Payment Program from 1982 through 1987. The wool grower allegedly used the names of family members to prepare over \$75,000 in receipts which were either bogus, inflated, or used in a wool trade, not a wool sale. Trial is pending.

- A California beekeeper was indicted for submitting false statements to CCC in order to obtain honey loans totaling over \$62,000. The beekeeper allegedly placed under loan honey that he had bought rather than produced. An analysis of the honey mortgaged to the CCC showed that it was produced in the southeastern and midwestern sections of the United States and thus could not have been produced by the beekeeper. In addition, the beekeeper was charged with converting 21 barrels of the honey by repacking it into smaller containers and selling it. Trial is pending.
- A South Dakota producer was sentenced to 2 years in prison and ordered to make over \$85,000 in restitution to ASCS after he pled guilty to making false statements to ASCS in order to obtain farm-stored loans. The producer admitted that he pledged the same wheat as collateral with two different ASCS county offices and that he falsely stated that the wheat was free of any other liens.

### **Foreign Agricultural Service (FAS)**

FAS is responsible for expanding, maintaining, and accessing foreign markets for U.S. agricultural products, gathering foreign market information, and representing U.S. agricultural interests abroad. The General Sales Manager, who is also an FAS Associate Administrator, manages Public Law 480, Titles I and II (Food for Peace Program); Section 416, covering food assistance to developing countries; Export Enhancement; Food for Progress; and Targeted Export Assistance.

### ***Food for Progress Objectives Not Met***

The Food for Progress Program is intended to use the food resources of the United States more effectively in support of countries that have made commitments to

introduce or expand free enterprise elements into their agricultural economies. The major intent of the authorizing legislation (Food Security Act of 1985) is to help Third World countries achieve food self-sufficiency and to enable them to eventually become trading partners rather than recipients of aid.

The program, as implemented, did not meet the full program objective of encouraging private production of food commodities for consumption in the participating countries. Also, the legislated minimum U.S. contribution of 75,000 metric tons of commodities had not been distributed in any year of the program. These conditions appear to be the result of overly restrictive participation requirements and unclear expectations about participant improvements. Specifically, the program did not address what goals the participating country should set or how it should reach them. For example, after the program is completed, farmers in participating countries will still be unable to move increased production to market and store this production for use in the normal periods of short supply. As a result, the \$17.9 million spent for the FY 1986 program may not have resulted in the desired effect.

We also believe that the requirement for continued participation in the Title I Program, especially for countries that were unable to meet their prior years' financial obligations, may have a negative impact upon the Food for Progress Program. The requirement could place excessive debt requirements on those countries and affect their ability for self-improvement.

In addition, the Food for Progress agreements did not require participants to account for currency generated from the sale of donated Food for Progress commodities. Thus some countries may not apply these funds to programs or projects which help increase agricultural production and stabilize future price and commodity supply.

FAS disagrees with the conclusions presented in our report. For example, FAS contends no additional accountability procedures over foreign currencies is needed since no evidence of improper use was found and that FAS has met the legislative intent of the minimum contribution of commodities. We continue to work with Department officials to resolve the issues.

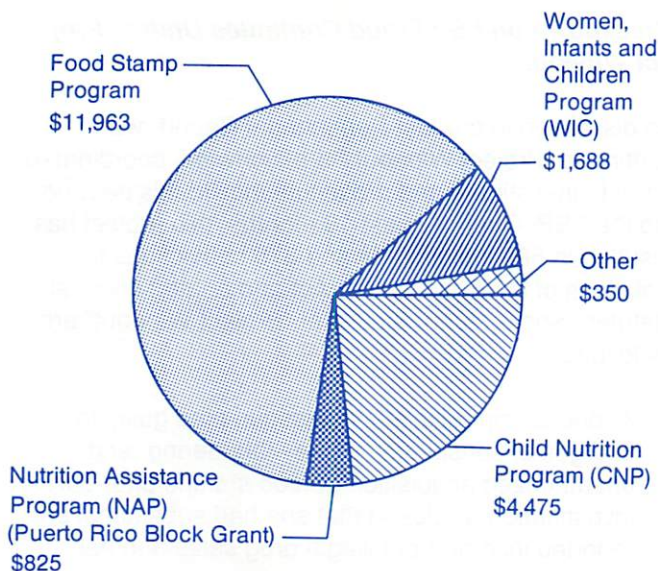


# FOOD AND CONSUMER SERVICES

## Food and Nutrition Service (FNS)

FNS administers 13 programs including: Child Nutrition; Special Supplemental Food for Women, Infants, and Children (WIC); Food Stamps; Special Milk; and Food Donations. Estimated spending for FY 1988 is \$19.3 billion of appropriated funds.

In Millions of Dollars



## Special Supplemental Food Program for Women, Infants, and Children

### Vendor Abuse Found in Nationwide Audit

Our previous Semiannual Reports showed that vendors in two States defrauded the Government of more than \$4.6 million. As a result of these disclosures we initiated an audit to evaluate the system of internal controls used by the States to monitor vendors authorized to accept WIC vouchers.

To determine the extent of vendor abuse we made food purchases with WIC vouchers at 107 vendors selected from nonchain stores participating in large metropolitan areas in 6 States. (FNS studies have determined that chain stores, because of their systems of internal control, are less likely to abuse the program.) While the results of our test purchases cannot be statistically projected, our sample showed that 76.6 percent of the vendors overcharged the WIC Program

an average of 28.5 percent for items purchased.

During our 3-month review period, the 107 vendors we visited redeemed almost \$1.8 million in WIC vouchers. By reducing vendor abuse, more eligible persons could be added to the WIC Program. As a result of our audit there are ongoing criminal investigations and efforts are underway to assess civil penalties.

### FNS Needs To Improve Accountability for WIC Vouchers

As part of the same audit, we made reviews to ensure State agencies had effective systems for reconciling issued and redeemed WIC vouchers; for accounting and safeguarding those vouchers; and for preventing their unauthorized issuance. The audit showed that FNS needs to more effectively monitor its regional, State, and local agency operations. FNS does not perform periodic reviews of its regional office operations to ensure the WIC program is properly administered nor does it have an effective management reporting system.

While the State agencies reviewed had made substantial improvements in their systems for reconciling WIC vouchers since our last audit, we continue to find problems in the reconciliation process. All seven States reviewed for compliance did not perform reconciliations in one form or another, whether of issued vouchers or of improperly redeemed vouchers. During the 18-month period from October 1985 through March 1987, the seven States audited redeemed \$872,000 in WIC vouchers which did not reconcile to issuance records. During a followup audit we reviewed a sample of the 64,000 WIC vouchers identified by one State agency as potential improper issuances and estimated that at least 37,000 (58 percent) had, in fact, been redeemed by ineligible participants or by participants who were terminated from the program. The total value of the WIC vouchers improperly redeemed was at least \$240,000.

Accountability and control over WIC vouchers continues to be a problem at the State and local agency levels. Of the 7 State agencies and 15 local agencies reviewed, 3 State agencies and 11 local agencies had weak security procedures. At the State level we found poorly maintained or inefficient inventory systems. At the local level there was inadequate security over WIC vouchers; no supervisory review or control over certification, issuance, and reconciliation functions; and in-



adequate or inaccurate inventory records. One State discontinued actions to detect dual participation in July 1986 and three States did not followup on potential instances of dual participation, or lacked documentation to support followup actions taken. We reviewed a sample of potential cases and found that 29 percent of the sample showed actual dual participation involving duplicate benefits. During a followup audit in one of the States we estimated that 66 percent of that sample of potential cases involved recipients who had, in fact, received at least \$300,000 in duplicate benefits.

FNS officials have generally accepted our recommendations and have agreed to work with State agencies to address the conditions noted.

### ***State Corrects \$1.3 Million Redemption Problem***

In another State we reviewed the operations of a home delivery system which we estimate had made over \$1.3 million in improper redemptions over the period October 1983 through August 1985. The State had made the improper redemptions because it did not have a procedure to assure that food distributed through the home delivery systems had actually been received by WIC participants. Our current review found that effective October 1985, the State agency had implemented new controls correcting the systems' deficiencies. To control the issuance and redemption of home delivery vouchers, the State agency discontinued issuing vouchers for food items directly to dairy contractors and began requiring WIC recipients to pick up their vouchers at the local agency.

### **Food Stamp Program (FSP)**

#### ***Missing Casefile Documentation Culminates in Unsupported Issuances of \$170 Million***

We previously reported that documentation to support food stamp issuances totaling in excess of \$6.5 million was missing at two project areas. We also stated an audit was underway to examine a nationwide random sample of FSP casefiles to assess the adequacy of documentation to support food stamp issuances. State agencies are responsible to account for and maintain control over household casefiles which support the issuance of food stamp benefits.

Nationwide, based on a sample of cases, OIG projected that documentation was inadequate to fully support issuances of an estimated \$170 million to 252,000 households. Absence of verification documents accounted for the majority of missing or incomplete casefiles. Internal controls were inadequate to

ensure that casefile documentation was always accounted for or that required verifications of eligibility factors were always performed and documented.

Management and supervisory controls needed to be strengthened over the certification and documentation processes. Unclear regulations contributed to inadequate verification of utility expenses. In one State, this was a major cause of overissuances of an estimated \$674,000 in food stamps to about 4,600 households.

FNS agreed to strengthen internal controls over casefile documentation and to provide additional technical assistance to States to improve verification and documentation of utility expenses.

### ***Crackdown on FSP Fraud Continues Under "Project Wipeout"***

As discussed in our last Semiannual Report, we continued "Project Wipeout," a nationwide, coordinated effort to investigate and prosecute individuals defrauding the FSP. Over the past 18 months, this project has resulted in 588 indictments and 375 convictions for violations of the Food Stamp Act and related criminal statutes. Some recent results of "Project Wipeout" are as follows:

- A food stamp recipient in Missouri pled guilty to charges of conspiracy, money laundering, and unauthorized acquisition of food stamps after our investigation disclosed that she had substantial unreported income from illegal drug sales and had concealed her ownership of three parcels of real estate. Over a 15-month period she received over \$4,800 in food stamps and over \$4,000 in Aid to Families with Dependent Children, benefits to which she was not entitled. She was sentenced to serve 18 years in prison, fined \$5,000, and ordered to pay over \$9,600 in restitution. Two other persons were also charged in the drug trafficking conspiracy. One pled guilty to conspiracy and money laundering; he was sentenced to 15 years in prison and fined \$5,000. The other pled guilty to conspiracy and was sentenced to 10 years in prison and fined \$1,000. This investigation was conducted jointly with a Federal drug task force.
- Sixty-eight persons were charged with food stamp trafficking in North Carolina. They allegedly exchanged cocaine, marijuana, stolen property, firearms, an automobile, and about \$23,000 in cash for \$127,000 in food stamps. One transaction involved a subject exchanging 1 kilogram of cocaine for \$50,000 in food stamps. Undercover agents also used food stamps to rent rooms at two



motels and to place bets in illegal lottery games. Eleven of the subjects were also charged with drug violations. Those indicted included the owners or employees of 16 retail stores authorized to participate in the FSP. To date, 33 defendants have pled guilty; sentencing is pending. Trials for the other 35 defendants are scheduled. The investigations were conducted jointly with local police.

- In southeastern Missouri 21 persons were indicted on food stamp charges after we conducted a joint investigation with local sheriffs' offices, local police, the Bureau of Alcohol, Tobacco, and Firearms, the Postal Inspection Service, and the Drug Enforcement Administration. Undercover agents exchanged \$75,000 in food stamps for stolen weapons, sawed-off shotguns, narcotics, liquor, a pickup truck, prescription drugs, and \$20,000 in cash. Twelve persons have pled guilty so far, one defendant was placed on pretrial diversion, charges against two were dismissed, and the trials of the remaining subjects are pending.

#### ***Other Food Stamp Investigations***

- As a result of an investigation worked jointly with the Secret Service, the general manager of a Kentucky food stamp issuance contractor was indicted on charges of conspiracy, unauthorized possession of \$40,000 in food stamps, and food stamp trafficking. In related cases, five additional persons, including two retail store owners and a second employee of the issuance contractor, were charged with conspiracy and food stamp trafficking. The indictment charged that over a 2-year period, one store's food stamp redemptions were \$50,000 higher than its gross sales. To date, two persons have been convicted, one of whom was sentenced to serve 2 years in prison and ordered to pay over \$2,000 in restitution.
- In Missouri, the owner of a chain of adult bookstores and five of his employees were charged with exchanging pornography, electronic equipment, prescription drugs, and cash for over \$31,000 in food stamps. Three bookstore managers and one other employee have pled guilty so far. The investigation was conducted jointly with a Federal-State pornography task force.
- In another investigation two caseworkers in the District of Columbia were charged with falsifying documents to issue food stamp Authorization to Participate cards to ineligible recipients. The recipients allegedly received over \$20,000 in food stamps. The two recipients were also charged with unauthorized acquisition of Authorization to Participate cards.

#### ***USDA Overcharged for FSP Administrative Costs***

In our last Semiannual Report, we discussed the results of our audit at a State agency where administrative costs as a percentage of FSP benefits issued were the highest in the Nation for 1986. Our audit questioned costs of at least \$748,000. We indicated we planned to continue making reviews in other States with high ratios of administrative costs to program benefits.

We have completed audits of two additional States and have questioned costs in excess of \$1.2 million. The most prevalent problem found involved enhanced funding for fraud-related activities: charges were made at the enhanced-funding reimbursement rate of 75 percent in instances where OIG believes the activity called for the normal rate of reimbursement at 50 percent. Also, in one State, we found costs were not properly allocated between programs when both a State and Federal program benefited from the same activity.

#### ***Sales Taxes Incorrectly Charged on Food Stamp Purchases***

We reviewed the implementation of the provisions of the Food Security Act of 1985 which amended the Food Stamp Act to exclude food stamp purchases from State or local sales taxes. We visited five States to test compliance with the provision. These States accounted for \$65 million (56 percent) of the \$115 million estimated sales taxes previously collected on food stamp purchases nationwide.

Our review showed States had amended their tax laws to exempt food stamp sales but FNS and administering State agencies had not established adequate controls to ensure retailers exempted food stamp purchases from State and local sales taxes.

FNS compliance investigations did not always test compliance with the sales tax exemption provision. Even through reports from FNS compliance investigators showed that about 40 percent of the retailers investigated charged sales taxes, this condition was not cited for corrective action. State revenue departments did not evaluate retailer compliance and have not implemented procedures to identify violators. Nor did administering State agencies keep food stamp recipients informed that food stamp purchases were exempt from sales taxes.

We made purchases at 85 retailers that were identified by recipients, and found 27 retailers who charged



sales taxes on exempt purchases. The violators were retailers other than chain supermarkets. These types of stores represent 85 percent of the stores authorized to accept food stamps and redeem about 26 percent of the food stamps nationwide.

## **Child Nutrition Programs**

### ***Fraud Found in Feeding Programs***

- At the request of the Department of Justice Antitrust Division, we became involved in an investigation of bid-rigging in the National School Lunch Program by North Carolina bakeries. A Federal grand jury indicted a bakery on one count of engaging in a criminal antitrust conspiracy to rig bids to supply bakery

products to certain school districts in eastern North Carolina. The bakery was found guilty in a jury trial and was fined \$1 million.

- Both the president and director of a New York child care facility pled guilty to charges they inflated Child Care Feeding Program claims by falsifying the number of meals served. From October 1982 through May 1986, the facility claimed to feed an average of 300 children per day and received a total of \$570,000 in reimbursement. During our investigation, we found the actual meal count ranged from zero to approximately 80 children per day. The day care organization agreed to pay \$390,000 in restitution, and the two individuals were each sentenced to 5 years' probation and 300 hours of community service.



# MARKETING AND INSPECTION SERVICES

## Agricultural Marketing Service (AMS)

### *Promotion and Research Board Operations and Procedures Need Strengthening*

Our audits of the National Promotion and Research Boards for Dairy, Beef and Pork found problems in compliance, economy and efficiency, and particularly monitoring. AMS does not periodically monitor the operations of State or local programs. AMS has taken the position that it is not required to oversee these programs because the legislative history only supports an oversight role of the national board. Since agreement could not be reached on those recommendations concerning the establishment of controls over State and local programs, we elevated this issue to the Secretariat level. We also sent copies of our dairy audit report to the appropriate congressional committees. Although AMS did not agree with all of our findings, its written response to the audit provided a positive plan of action for resolving disagreements and implementing recommendations.

### *Dairy Promotion and Research*

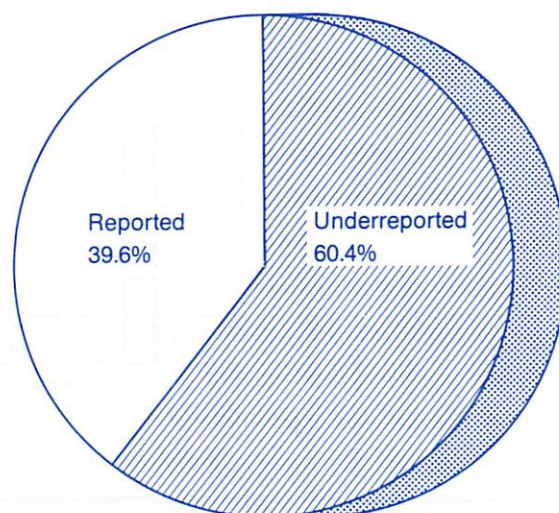
The Dairy and Tobacco Adjustment Act establishes a mandatory 15 cents per hundredweight assessment on all milk produced. Although a minimum of 5 cents must go to the National Dairy Board, producers may elect to give up to 10 cents to ongoing regional or State programs promoting dairy products. We found that AMS did not adequately provide guidance on or oversight for the distribution of assessment funds to the regional and State programs. Specifically, we determined the following:

- AMS's annual report to Congress did not discuss 60 percent of the regional or State programs receiving assessment funds. As a result, Congress has not been informed about the use of \$374.4 million of \$619.7 million of the dairy promotion program assessments for the 3-year period ending April 30, 1987, as shown in figure 7.
- Between May 1985 and May 1987, 5 of the 18 qualified programs reviewed had passed \$14.7 million of the \$15.6 million in assessment funds collected to other qualified programs and incurred approximately \$235,000 in administrative costs. Two other qualified programs improperly used \$106,500 for activities such as school funds, athletic tournaments, support of veterinary services, and other miscellaneous accounts.

Figure 7

### Funds Reported/Underreported

Total funds 5/1/84 - 4/30/87 \$619 million



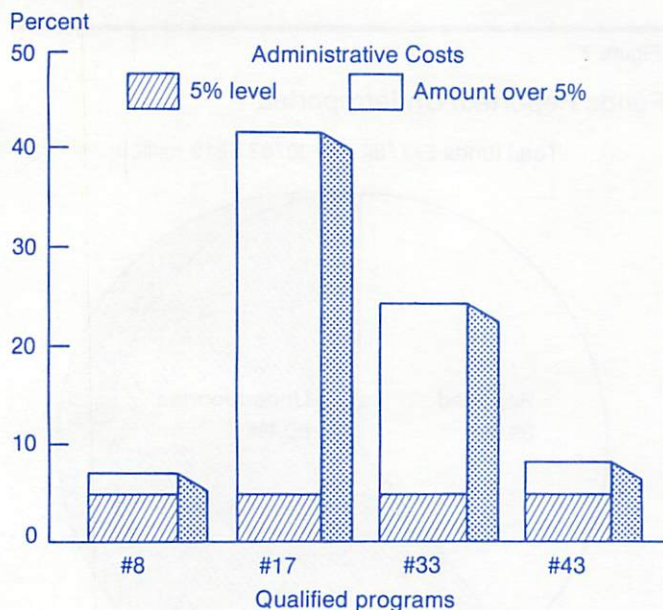
Reported \$245 million, underreported \$374 million

- A Milk Market Administrator's audit group and the Commonwealth of Pennsylvania's Office of Inspector General each found acts of fraud, waste, and unauthorized use of assessment funds at two qualified program locations. An OIG investigation confirmed that the bookkeeper for one of the locations had embezzled \$10,000 by creating false invoices and authorizing payment for services. The bookkeeper has since pled guilty to two felony theft charges and is awaiting sentencing.
- Four qualified programs incurred \$2.4 million in administrative costs in excess of the 5-percent limitation imposed on the National Dairy Board, as figure 8 depicts.
- Some program expenditures were questionable. The United Dairy Industry Association (United Dairy) classified about \$5.8 million of administrative costs as program costs, and paid \$1,500 in monthly per diem to the chairman of United Dairy's Board of Directors and \$85 per day in excess of travel related expenses to members of the United Dairy Board. We also questioned the prices United Dairy charged for nutrition education materials



Figure 8

### Administrative Costs as a Percentage of Program Costs



which were approximately 268 percent above the cost for paper and printing.

- AMS and the National Dairy Board did not perform regular reviews. Therefore, they were unaware that some milk handlers did not pay required assessments, report pounds of milk marketed, and retain records. Eight of the milk handlers reviewed underpaid the dairy promotion assessment by approximately \$1.3 million.
- AMS had not maintained current and accurate information on the certified, qualified programs. Although qualified programs identified on the listing obtained from AMS were eligible to receive assessment funds, four were no longer participating in the promotion of dairy products, and nine had merged with other qualified programs.

### Beef and Pork Promotion and Research

For beef and pork, the Food Security Act of 1985 authorized the establishment of producer organizations to collect assessments and conduct promotion, research, and consumer information activities. We reviewed AMS's establishment of the boards and the initial operations of the Cattlemen's Beef Promotion and Research Board (Beef Board) and the National Pork Producers Delegate Body (Delegate Body). We found the following deficiencies:

- AMS and the Delegate Body allowed the expenditure of about \$137,000 in FY 1987 pork assessments and the use of restricted information to support activities of the National Pork Producers Council, an organization which conducts lobbying activities. The Food Security Act prohibits the use of assessment funds, in any manner, for the purpose of influencing legislation and restricts the use of information obtained by the Delegate Body.
- By failing to adjust import assessments to reflect domestic averages, AMS may have given an economic advantage to importers of beef and pork products over domestic producers. Beef importers, for example, pay an assessment equal to \$1 per head, while domestic producers pay a cumulative average assessment of about \$2.06 per head. Since AMS disagrees with our interpretation, the question has been referred to the Office of the General Counsel for a legal determination.
- AMS did not require the Beef Board to monitor the use of assessment funds by State boards and permitted one State board to effectively prevent its producers from receiving refunds of the Beef Board assessment share. AMS personnel believed that the Food Security Act did not give the Beef Board oversight responsibilities for the \$30.6 million of assessment funds retained by State boards. AMS did not require Beef Board personnel to review State board budgets or actual expenditures.
- AMS did not give to beef and pork producers easily understood explanations of promotion order provisions. AMS's plan called for posting or distributing copies of the respective promotion orders at polling stations. This did not provide producers with sufficient opportunity to read and consider the order provisions prior to voting.

Although AMS did not agree with some of our audit conclusions, its written response to the audit provided a positive plan of action addressing the audit's recommendations. We are continuing to work with AMS to achieve full resolution of the audit issues.

### Investigations Bring Meat Industry Convictions and Indictments of Commodity Processors

- In a previous Semiannual Report, we reported that seven people in Illinois, including a former USDA meat grader, a former USDA food inspector, and the owners and/or officials of four meat plants, were charged with violations of the meat grading and inspection programs. All seven individuals have since pled guilty and have been placed on



probation and fined a total of \$18,000. One of the meat plants has ceased operation. FSIS has initiated action to withdraw inspection services from the other three plants, effectively closing them.

- A Federal grand jury indicted a Wisconsin creamery and two of its employees for short-weighting CCC-owned butter in the course of repackaging, under contract, bulk blocks into 1 pound butter prints. The indictment alleges the company altered its scales which were used to weigh the repackaged butter in order to show an inflated weight. The company then packaged and sold the butter thus diverted from CCC. The creamery repackaged over 100 million pounds of bulk butter for USDA during a 7-year period and may have defrauded USDA of \$5 million. Trial is pending.
- A Federal grand jury indicted a South Dakota cheese manufacturer and two of its principals for conspiracy to defraud the CCC. The indictment charged the company with improperly adding calcium caseinate to mozzarella cheese which was being sold to the Government. The indictment alleges that, over a 2-year period, the company sold USDA over 4 million pounds of cheese that did not meet contract specifications and that the company received almost \$6 million from those sales. Trial is pending.

### **Animal and Plant Health Inspection Service (APHIS)**

#### **Mexico Did Not Meet Matching Requirements**

Mexico was contributing less than its required 20-percent share of program operating costs of the Screwworm Eradication Program. This shortage approximated \$18 million for the period 1976 through 1986, and no documented efforts had been made by APHIS officials to collect the amounts due. Additionally, on occasion, USDA contributed 100 percent of the program's cost until the contribution from Mexico was received.

We also raised questions about the disposition of liquid-toxic insecticide and insecticide containers at quarantine stations in Mexico. Because of the toxic nature of the insecticide and the potentially harmful effect to humans, we recommended APHIS review and correct existing disposal practices and prevent improper disposal practices in the future.

In general, controls over program operations in Mexico were inadequate. We found the following:

- For some contracts program officials were: (1) paying in full prior to completion; (2) not charging all transportation costs or paying unauthorized freight costs; and (3) not assessing liquidated damages for failures to meet delivery requirements.
- The program did not have an adequate inventory system. Inventory balances as of March 1987 varied from \$1.7 million to \$3.4 million.
- The program did not have a centralized accounting system.
- Program officials did not act to stop increasing amounts of excess property, unauthorized use of parts from surplus U.S. vehicles, and unauthorized use of Government vehicles.

Security at two facilities in Mexico was also inadequate. Tires were stolen, parts were taken from surplus vehicles, and some of the vehicles were used for unauthorized purposes.

The Screwworm Eradication Program Commission also needs to disburse \$450,000 in funds that were improperly collected from the sale of excess property. Program officials believed these sale proceeds were to be deposited in the Commission's account; regulations require that proceeds be used to purchase like property or be returned to the respective government in accordance with the percentage of funds contributed toward the cost of operating the program.

#### **Assault on Inspection Officers Results in Convictions**

In North Carolina, an individual was indicted on Federal and State charges for assaulting an APHIS Compliance Officer and a Livestock Inspection Supervisor of the North Carolina Department of Agriculture. The two officials were investigating an allegation that the owner of a hunting lodge was keeping swine infected with pseudorabies on the property. When the officials identified themselves, the owner allegedly became angry, struck the State employee in the face, and held both men at gunpoint for about 30 minutes before releasing them. The owner has been found guilty in Federal court of assaulting a Federal employee and is awaiting sentencing. He has also been sentenced to serve 6 months in prison on State misdemeanor charges (impeding a public officer and communicating threats). State felony charges for kidnapping and assault with a deadly weapon with intent to kill are pending.



## **Federal Grain Inspection Service (FGIS)**

### **Management of the Wheat Protein Determination Program Appears Adequate**

We conducted reviews of the management and effectiveness of the FGIS wheat protein determination program, focusing on allegations that the program was mismanaged and that information about changes made in 1987 on the system of wheat protein determinations had been leaked in advance. We found no evidence of criminal intent, wrongdoing, leaked information, or willful coverup. However, we did identify several minor deficiencies requiring corrective action to enhance the integrity and reliability to FGIS protein measurement services. Specifically, FGIS needs to achieve better consistency in performing wheat protein determinations; fully and more effectively implement the revised Protein Monitoring Program; and improve communication and coordination between and among FGIS Headquarters, the Quality Control Branch at the Kansas City Technical Center, and the FGIS field inspection locations.

We also reviewed FGIS's April through June 1987 adjustments to the instrument it uses to measure the protein in wheat to determine if these adjustments affected the price of wheat. We found that initial adjustments produced lower protein readings for wheat, but the market appeared to adjust by producing higher premium prices. Although subsequent adjustments produced different protein readings, base and premium wheat prices remained relatively unaffected.

## **Food Safety and Inspection Service (FSIS)**

### **Domestic Meat Inspection Investigations Produce Convictions**

- As the result of an investigation in California, three individuals have pled guilty to conspiracy, aiding

and abetting, and transporting adulterated meat products in violation of the Federal Meat Inspection Act. On several occasions during a 3-month period, one of the individuals, a former employee of a rendering company, removed meat which was not intended for human food from the premises of the rendering company. The former employee knew the meat was partially decomposed, had been handled in an unsanitary manner, was derived from cattle which had died from causes other than slaughter, and was otherwise unfit for human food. The meat was taken to the residence of the former employee where it was delivered to the two other individuals who then transported and sold the meat to others. FSIS compliance officers and the local police assisted in this investigation. Sentencing is pending.

- An FSIS Food Inspector in Texas was found guilty of having filed false overtime claims which resulted in salary overpayments of approximately \$17,000. The investigation disclosed that from early 1985 to mid-1987, the inspector filed false overtime reports for work purportedly performed on Saturdays and Sundays at the USDA-inspected plant to which he was assigned. The inspector was sentenced to 5 years' imprisonment (suspended), placed on supervised probation for 5 years, fined \$5,000, and ordered to perform 288 hours of community service. Additionally, administrative action has been initiated to remove the inspector from his employment with USDA.



# NATURAL RESOURCES AND ENVIRONMENT

## Forest Service (FS)

The FS manages more than 191 million acres of National Forest System lands and related resources, provides national leadership in forest and range research, and conducts a State and private forestry program in cooperation with the States. For FY 1987, FS expenditures totaled over \$2.35 billion and receipts were about \$1.46 billion.

### Corrective Action on Prior Audit Yields Mixed Results

Our 1986 audit of yearend procurement activity in the FS questioned over 1,100 potential violations of the Comptroller General's "bona fide needs" rule and provisions of the Antideficiency Act. In May 1987, the FS informed us it made a thorough review of 784 of the cases cited in our report and concluded there were no violations of either the rule or the act. However, they said they were preparing to submit 46 cases to the Department's Office of the General Counsel for legal determination of possible violations.

An OIG followup review found that FS had taken positive measures to improve procurement operations and related internal controls. New procurement guidelines had been issued or were being developed, and management reviews had been expanded to cover procurement operations.

However, our review also disclosed that documentation was insufficient in many instances to support a decision that no violation occurred on the individual cases examined by the FS. Because of some concerns about the cases the FS planned to submit for legal review, we submitted our own 12-case sample to the Office of the General Counsel. That office advised us that, in their opinion, seven of the sample cases did represent violations, three did not, and the other two lacked sufficient information for a legal determination. The FS subsequently submitted seven sample cases to the Office of the General Counsel, with somewhat similar results.

We recommended that the FS immediately report the identified violations to the Secretary, use the legal determinations as the basis for further review of the questioned procurements, and also report any of those determined to be violations.

The FS replied that they were still analyzing the Office of the General Counsel legal opinions and they did not believe it appropriate to report any cases to the Secretary as violations until the cases were reviewed by both the Office of the General Counsel and the Comptroller General. Although the FS insists that the Comptroller General's review is necessary, no cases have yet been submitted for this review.

### Timber Thieves Plead Guilty

A FS Timber Sale Administrator, who resigned during our investigation, and six individuals associated with a logging company pled guilty to charges involving a large-scale theft of timber from the Olympic National Forest in the State of Washington during 1980 through 1984. Probable theft losses exceeded \$1.3 million, possibly representing the largest timber theft case in FS history. The indictment was reported in the previous Semiannual Report.

During a 3 1/2-year period, the logging company purchased 14 FS timber sales containing 116.8 million board feet of timber worth \$13.3 million. Most of the thefts occurred by one of the following means:

- Logs were delivered to and processed by the purchaser's mill without being scaled (measured and tabulated for billing purposes). This involved at least \$750,000 in lost FS receipts.
- The purchaser switched brands on logs indicating that they came from lower priced sales when they actually came from higher priced sales. On 200 truckloads, the loss to FS was about \$246,000.
- The former FS employee permitted the purchaser to cut and remove timber without paying for it in advance as required. The purchaser went bankrupt with unpaid debts due FS of \$320,000.

The owner of the company pled guilty to felony conspiracy and theft of government property, and his two sons each pled guilty to two misdemeanor counts of theft. A fourth defendant pled guilty to two misdemeanor theft counts, and a fifth pled to one felony theft charge. During the investigation, a sixth individual was indicted and pled guilty to obstructing the criminal investigation. Sentencing for all individuals is pending.

Besides his involvement with the timber thefts, the former employee engaged in business ventures that were



in conflict of interest. Without notifying the FS, the former employee operated three companies which obtained environmental cleanup contracts from timber purchasers operating under FS contracts which he administered. Thus the employee inspected approved work completed by his own companies. The former employee's companies received a total of over \$204,000 from nine separate timber purchasers. He

pled guilty to two felony counts of performing acts affecting his personal financial interest. Sentencing is pending.

In May 1988, based all on the indictments, the FS suspended the individuals and companies from purchasing timber from National Forests until criminal proceedings had been completed.



## SCIENCE AND EDUCATION

### **Cooperative State Research Service (CSRS)/ Extension Service (ES)**

CSRS administers grants and payments to States for agricultural research carried out by a nationwide system of State agricultural experiment stations and land grant institutions. ES identifies farm and community needs and conducts education programs to supply the farm community with the most current and appropriate agricultural technology available. For the most part, these funds are matched by the cooperator institutions. In FY 1988, appropriations for cooperative activities administered by CSRS and ES were \$195.6 million and \$241.6 million respectively.

### **Financial Accounting a Continuing Problem**

Audits of the management of these funds by State institutions continue to disclose deficiencies in financial accounting. Our audits during this period questioned costs of over \$375,000 which included unallowable charges for indirect costs, excess charges for the employers' contributions to the States' retirement systems, charging costs to the wrong FY, and charging costs to USDA that should have been charged to the institutions' funds. At two institutions, financial management systems were inadequate to properly account for USDA funds.

OIG also reviewed corrective actions taken on prior audits and found agency actions to be generally favor-

able. Followup at one institution resulted in a reimbursement to CSRS of \$127,000.

### **Administrative Controls Needed to Ensure Matching Requirements**

The Food Security Act of 1985 provides for assistance for 3 years to farmers who have been displaced from farming or otherwise adversely affected by the current farm and rural economic crisis. The Rural Crisis Recovery Program Act of 1987 extended the program through 1990 and expanded it to include rural families. Under the provisions of the legislation, Federal funds are distributed on a matching fund basis. In FY 1988, just over \$3.2 million was appropriated to carry out the program through eight State systems.

OIG's review of program implementation found ES had not established procedures and financial reporting requirements to ensure that States matched Federal funds and spent matching funds for the approved extension activities. Financial reports submitted to the ES did not account for the allocation and expenditure of matching funds. Of two States reviewed, one did not maintain records of matching fund expenditures. We recommended ES revise financial reporting requirements to ensure States comply with the matching requirement.



# ADMINISTRATIVE SYSTEMS AND PROCESSES

## Financial Management

### ASCS Made Duplicate Payments in Several of Its Programs

The Food Security Act of 1985 authorizes the issuance of commodity certificates to eligible participants as price support payments in the Inventory Protection Program for upland cotton. CCC was authorized to make one-time payments for certain Inventory Protection Program cotton, and ASCS contracted to have invoices submitted under the program. CCC issued commodity certificates totaling approximately \$619 million for claims under the Inventory Protection Program.

ASCS had not implemented internal accounting and administrative controls to prevent duplicate payments under the Inventory Protection Program. We found a total of about \$523,000 in overpayments and an additional \$1.5 million in potential overpayments.

We recommended ASCS verify storage categories of cotton bales to ensure accurate designations, perform postaudits of payments to ensure the accuracy of amounts paid, and review invoices for required documentation. In response, ASCS has implemented reviews, utilizing statistical sampling methods, to ensure that payments made under the Inventory Protection Program were proper.

Also, our review of ASCS' Grain Inventory Management Systems showed that because of inadequate internal controls, duplicate payments had been made without detection by ASCS. Although the duplicate payments we identified have been recovered, additional duplicate payments may have gone undetected. ASCS initiated corrective action.

### FY 1986 Financial Reports Prepared by the National Finance Center (NFC) Were Inaccurate

NFC prepares USDA's payroll and makes payments on administrative vouchers. NFC also prepares USDA's financial reports and forwards them to Treasury.

We reviewed FY 1986 yearend reports prepared for four USDA agencies and found the data reported was not always accurate and, in some instances, did not agree with data contained in the general ledger. Inaccurate data on 1986 yearend reports for the four

agencies totaled about \$211 million, and differences in the general ledger and the yearend reports totaled about \$85 million.

We recommended adjustments to the general ledger be made prior to closing the accounts at yearend to assure the financial reports accurately reflected amounts shown in the general ledger. We also recommended formal review procedures be implemented to ensure the accuracy of the data included in the yearend reports. The Department has agreed to implement a formal review process for yearend reports and use the Departmentwide financial information system to compare yearend reports in order to alleviate the adjustment problem.

### Input Needed From More USDA User Agencies Before the Department's Travel Voucher System Is Redesigned

The USDA travel system is one of the larger administrative payment systems operating at the NFC. In FY 1987, more than 500,000 travel vouchers totaling approximately \$163 million were processed.

The travel voucher system is currently being redesigned to provide greater access to the data. We reviewed the redesigned system to determine if it would meet the needs of the users, if its data was secure from unauthorized access, and if proper internal controls were in place. We found the need for more input from more USDA user agencies. We recommended, and the Department agreed, that input from user groups be expanded for future systems developments, and future requirement statements be provided to all potential users for review and comment.

## Automated Data Processing

### Data Transmission Network Needs Better Security Controls To Prevent Unauthorized Access

As part of its county office automation project, ASCS participates in the Departmentwide contract for telecommunications services. To reduce connect time costs, ASCS uses the telecommunications network during nonoffice hours without operator assistance. Normally, unattended network usage lasts less than 2 minutes at a cost of about 70 cents. However, we identified unattended sessions lasting 2 to 3 days and costing over \$1,000 each because ASCS had not established an automated session override to terminate



unduly long sessions. We estimated ASCS could save over \$10,000 per month by establishing such an override. We also found that weaknesses in controls over network access codes permitted non-Government use at Government expense. During one 8-month period ASCS incurred over \$27,000 in unauthorized user charges.

ASCS agreed to implement our recommendations to: (1) establish an automated session override, (2) implement appropriate network access controls, and (3) obtain credit for charges incurred because of deficient network security.

### **Benefits and Capabilities of the FmHA Office Automation Project Were Not Fully Realized**

FmHA did not timely provide the software and training necessary for its field offices to fully use automation equipment. Software was scheduled to be provided to field offices by January 1986; however, it may not be distributed for another 6 to 12 months. Also county office computers were being used an average of about 2 hours per workday for communications and wordprocessing. We concluded that office automation equipment costing \$67 million did not fully realize its \$16 million in projected benefits for FY 1987. In addition, projected future benefits of about \$137 million per year will be delayed.

FmHA also needs to increase field personnel awareness of physical and data security requirements. In response to our recommendations, FmHA is designing ways to achieve greater benefits from training, software, and automated program delivery. A new security manual has been issued to the field offices, and the importance of physical and data security is being stressed to field office automated data processing coordinators.

### **FNS Funded the Development of a Computer Program Without Obtaining Proprietary Rights**

FNS funded over \$8 million in development costs for one State's Food Stamp Program (FSP) computer system without definitively obtaining proprietary rights so that other States could use the system without additional costs. FNS approved funding for the project at the 50-percent level in July 1986, contingent upon the Federal Government acquiring proprietary software rights. However, a court settlement signed earlier by both the State and the development contractor appeared to restrict proprietary software rights to the contractor unless FNS funded the project at a 75-percent level. FNS believes it has the proprietary software rights; however, upon our recommendation,

FNS has requested an Office of the General Counsel opinion to resolve the issue.

Concerning the system itself, the State did not prepare an adequate project cost/benefit analysis; consequently, costs could exceed benefits by as much as \$15.1 million over the system life cycle. The State neither prepared a complete user's manual nor a computer-generated application form for the FSP. In addition, the system's software was not adequately documented for program maintenance and arrangements had not been made for off-site storage.

FNS agreed to implement our recommendations to correct the identified deficiencies.

### **Department Operating System and Security Software Are Vulnerable**

We identified serious control deficiencies in the Department's operating system and security software. The deficiencies would allow a computer worker to access, modify, and/or destroy an agency's computer data, programs, and other resources without leaving an audit trail. The deficiencies include: (1) inadequate controls over enhancements to the operating system; (2) inadequate administration of the authorized program facility; (3) improper maintenance of operating system software; and (4) a lack of standards on system software management.

Improper use of security software and inadequate administrative controls over this software further increased the risks to operational continuity and integrity of critical applications. Our analysis of disk storage resources showed that an estimated \$1.4 million in inefficiently used disk storage could be recovered.

Some corrective action has been initiated, with additional corrective action being discussed.

### **Audits of Contracts**

OIG audits of contracts are performed to assist USDA procurement officers in the negotiation, administration, and settlement of USDA contracts and subcontracts. OIG performed or arranged for audits of 33 pricing proposals, cost reimbursement contracts, or contractor claims. These audits resulted in questioned costs or potential savings of more than \$4.6 million. Also, during this period, 33 contract audits were resolved or closed, resulting in savings of about \$3.9 million.

### **Preaward Audits Save Over \$3.6 Million**

Our audit of a contractor's cost proposals questioned costs totaling about \$2.5 million. The contractor had



overstated costs of \$176,000 for general and administrative expenses, \$268,000 for research and development, \$1.1 million for sales and marketing, \$457,000 for technical support, \$26,000 for software development expenses, and \$440,000 for income and royalty expenses. We also questioned the need for the quantity of the product being ordered and recommended a reduction for an additional savings of \$38,000.

An audit of another contractor's cost proposal resulted in the determination that approximately \$1.1 million of about \$6.6 million for construction work was unallowable under the Federal Acquisition Regulations.

#### ***Contractor's Claim Not Substantiated***

At the request of the Office of the General Counsel, we reviewed an equitable adjustment claim for about \$568,000. The audit reported that the contractor incurred and accepted costs which were less than payments made by the Soil Conservation Service. As a result, we questioned the entire \$568,000 claim the contractor submitted.

#### **President's Council on Integrity and Efficiency (PCIE)**

The PCIE is a Governmentwide body, established by Executive Order of the President, to address Govern-

mentwide problems of preventing and detecting fraud, waste, and mismanagement by seeking solutions through the cooperative efforts of Inspectors General. These efforts are exercised through standing committees, interagency projects, workshops, and seminars.

#### ***Review of Guaranteed Loans Finds Widespread Deficiencies***

The Administration established a comprehensive credit management policy to improve debt collection, reduce delinquencies, and improve the management of receivables. As part of "Reform 88," OMB developed a credit management program which established performance goals for key activities mandated by OMB Circular A-129, "Managing Federal Credit Programs," and the Debt Collection Act of 1982.

The PCIE Audit Committee designated USDA/OIG as the lead agency for a coordinated review of guaranteed loan programs administered by USDA, the Department of Commerce (DOC), the Department of Education (ED), the Department of Health and Human Services (HHS), HUD, the Small Business Administration (SBA), the Department of Transportation (DOT) and the Veterans Administration (VA), and accounting for about 95 percent of the Government's outstanding loan guarantees.

The following chart shows the guaranteed loan activities for the Departments/agencies reviewed:

**Contingent Liability**  
(All dollar amounts are expressed in billions)

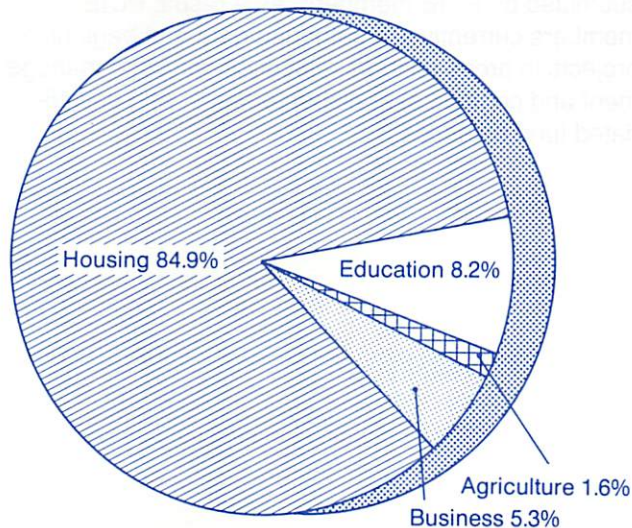
<i>Agency</i>	<i>New Loans</i>	<i>Outstanding Balance 9/30/87</i>	<i>Amount</i>	<i>Percent of Portfolio</i>	<i>Defaults</i>
USDA	\$ 1.7	\$ 4.4	\$ 3.87	88	\$ .15
DOC	0	.1	.08	80	.15
ED	9.3	40.1	40.10	100	1.40
HHS	.2	1.3	1.30	100	.01
HUD	80.0	275.4	270.67	98	4.43
SBA	3.4	9.0	7.66	85	.55
DOT	0	4.5	4.46	99	.34
VA	34.9	146.3	65.39	45	1.90
Subtotal	\$129.5	\$481.1	\$393.53	82	\$8.93
Other	12.6	26.0	26.00	100	.67
Total	\$142.1	\$507.1	\$419.53	83	\$9.60



Housing loans insured by HUD and guaranteed by VA account for \$422 billion (83.2 percent) of the \$507.1 billion in outstanding guarantees. Figure 9 shows the composition of the guaranteed loan portfolio by type of borrower.

Figure 9

**Guaranteed Loans Outstanding by type of borrowers, 1987**



The most significant area in the credit cycle requiring improvement was collection of guaranteed loan debts and reduction of losses. In FY 1987, guaranteed loan defaults for the eight agencies totaled about \$8.9 billion, or about 2 percent of their \$481 billion guaranteed loan portfolio. The Government paid lenders for the guaranteed portion of the defaulted loans or for losses after liquidation of security. The Government should carry these acquired loans or loan losses as receivables from the borrowers. The collection of losses could be improved through the effective use of IRS tax refund offset, Federal employee salary offset, referral to private collection agencies, and referral to the Department of Justice for litigation and enforced collection. One or more of these four collection techniques were not effectively used to collect \$9.3 billion in guaranteed loan debts and losses.

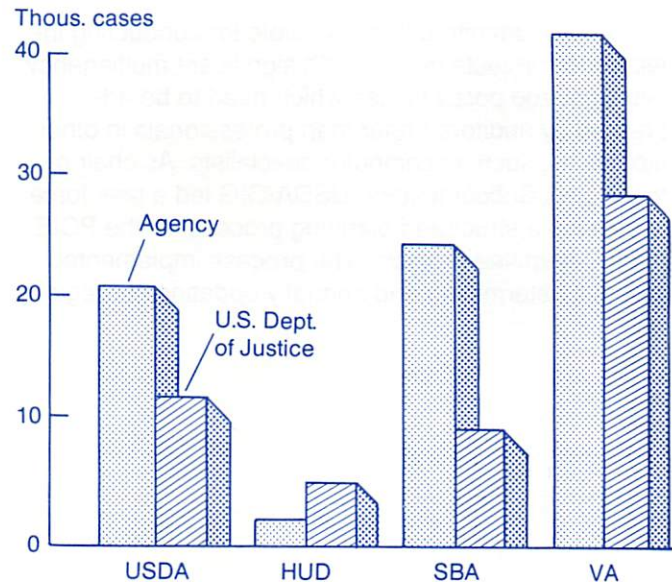
Improvements were also needed in the following areas:

**Litigation** —As of September 30, 1987, the eight agencies reported cases totaling \$8.5 billion that were backlogged at the Department of Justice awaiting litigation and collection.

Four agencies were unable to reconcile substantial differences between their records and those of Justice. Figure 10 depicts these differences.

Figure 10

**Comparison of Litigation Case Totals**



Increased use of private attorneys and delegation of additional litigation authority to agencies could improve litigation and collection procedures. A standardized Federal collection statute could increase litigation and collection efficiency.

**Write-offs** —Two agencies did not establish claims for \$1.4 billion in loan losses and did not follow prescribed write-off procedures. Two agencies carried \$5.1 billion in seriously delinquent guaranteed loan debts as receivables, much of which may qualify for write-off after applicable collection techniques have been exhausted. Two agencies wrote off \$127 million before all collection actions were exhausted, and four major credit agencies did not report \$2.2 billion of written-off debts to IRS as income to the debtor.

**Commercial Credit Bureau Information** —Two agencies guaranteed 3.7 million loans for \$11 billion without requiring lenders to obtain credit reports to verify application information and to identify applicants delinquent on Federal debts. Four agencies did not report or require lenders to report to credit bureaus information on \$64.7 billion in guaranteed loans and debts. None of the eight agencies reviewed screened applicants for IRS tax delinquencies.



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# RESOLUTION AND STATISTICAL DATA

## Audit Reports Resolved

OIG resolved and/or closed 334 reports during the period covered by this report. The monetary values associated with the findings of these audits were as follows:

	(Millions)	(Millions)
Questioned Costs Recommended for Collection	\$ 7.8	
Questioned Loans Recommended for Collection	\$ 4.1	
Total Costs and Loans Questioned at Issuance	<u>\$ 11.9</u>	
Less: Postaudit Justification Accepted by OIG	(\$ 1.8) <sup>a</sup>	
Management Commitment To Seek Recoveries		<u>\$ 10.1 <sup>b/c</sup></u>
Other Monetary Impacts Agreed to:		
Management Commitments To More Efficiently Use Funds	\$ 17.3 <sup>b</sup>	
Improper Agency Action	\$ 37.7 <sup>d</sup>	
Total Other		<u>\$ 55.0</u>
Total Dollar Impact		<u>\$ 65.1</u>

<sup>a</sup> In the category "postaudit justification accepted by OIG" are reported only those amounts in which the auditee, subsequent to the issuance of the audit report, has provided additional documentation, justification, and/or support material to reconcile the monetary exception taken by OIG. Normally, this information is not available during the audit, and once received, is analyzed and evaluated by OIG, and appropriate adjustments to the reported amounts are made. The dollar amount displayed is the net of the postaudit justification accepted by OIG and the increase in collections above questioned costs and questioned loans recommended for collection.

<sup>b</sup> These were the amounts agreed to by the auditee at the time of resolution.

<sup>c</sup> The recoveries actually realized could change as the auditees implement the agreed-upon corrective action plans and seek recovery of amounts recorded as debts due the Department.

<sup>d</sup> Improper agency actions are monetary amounts identified by the audit as having been expended erroneously or improperly due to an agency action or for which recovery is not possible. This also would include amounts incurred or earned in good faith by others, who relied on incorrect or improper guidance, interpretations, or directions by agency personnel or instructions. If statistical projections are used in determining the values, the midpoint estimate is used.



## Audit Resolution and Followup

The following audits remain unresolved beyond the 6-month limit imposed by Congress.  
table

### Unresolved Audits Pending Agency Action

Agency	Date Issued	Title of Report	Dollar Value Unresolved
ASCS	3/31/88	1. Payment Limitation Provisions — Survey of Share Leases (03099-53-SF)	\$1,834,862
	3/30/88	2. Comodity Storage Rates Charged to CCC (03099-55-SF)	-0-
	3/24/87	3. Eligibility of 1985 Rice for Commodity Loans (03635-2-Te) <sup>a</sup>	\$ 465,508
FAS	3/25/88	4. Targeted Export Assistance — Program (07099-14-Hy)	-0-
REA	3/31/87	5. Oversight of Program Operations Through the Use of Certified Public Accountants (50659-3-Ch) <sup>a</sup>	\$1,500,000

### Unresolved Audits Pending OGC Action or Opinion

FmHA	7/22/86	6. Guaranteed Loan to Owl Construction Co., Inc. (04099-122-Te) <sup>a</sup>	\$2,476,361
	5/4/87	7. Guaranteed Loan to Sherman Construction Co., Inc. (04099-124-Te) <sup>a</sup>	\$1,114,388
	8/24/87	8. Business and Industrial Loan to Glover, Inc. (04099-131-Te) <sup>a</sup>	\$6,343,325

### Unresolved Audits Pending Action Outside the Department

FmHA	3/19/86	9. Guaranteed Loan to Louisiana Marine Protein, Inc. (04099-104-Te) <sup>a</sup>	\$5,180,109
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<sup>a</sup> Reported in last Semiannual Report.



1. ***Payment Limitation Provisions - Survey of Share Leases, issued March 31, 1988***

We recommended that ASCS review program payments made to two large land companies identified by the audit and those made to the leasing operations of the 25 largest land companies nationwide (including payments to lessees) and to collect any overpayments found. ASCS has orally agreed to make the reviews recommended; we can resolve the audit when ASCS notifies us, in writing, that the reviews will be performed and that claims will be established, as appropriate.

2. ***Commodity Storage Rates Charged to CCC, issued March 30, 1988***

We recommended that ASCS enforce its regulations requiring warehouses to issue warehouse receipts for grain stored under the U.S. Warehouse Act. ASCS has replied that it plans to delete from its regulations the requirement that warehouse receipts be issued. We notified ASCS that it must enforce its existing regulations until they are amended.

3. ***Eligibility of 1985 Rice for Commodity Loans, issued March 24, 1987***

Twenty-six producers delivered their grain to a private company and canceled rice sales agreements to obtain loans from CCC. ASCS initially agreed the loans were ineligible, but later redetermined them to be eligible based on information provided at an appeals hearing and the advice of the Office of the General Counsel (OGC). We have requested OGC to provide us the basis for its advice to ASCS since an earlier OGC opinion had stated the rice was ineligible for price support loans. Based on responses from OGC and ASCS we performed additional audit work which further confirmed our audit findings.

4. ***Targeted Export Assistance Program, issued March 25, 1988***

We recommended that FAS revise the Targeted Export Assistance agreement to require program participants to contribute to the program rather than simply allowing them to make voluntary contributions. Several participants did not contribute the amount of funds specified in their agreements. We were unable to verify that \$3.1 million in planned contributions were actually made. We also recommended that program guidelines be revised to require participants to maintain an

accounting system for program funds. We are elevating these issues to the Departmental level.

5. ***Oversight of Program Operations Through the Use of Certified Public Accountants, issued March 31, 1987***

REA requires an annual financial audit to be conducted by public accounting firms in conformity with generally accepted auditing standards of its approximately 2,000 borrowers. We recommended that REA modify its annual requirement to fulfill the requirements of generally accepted governmental auditing standards as required by the Inspector General Act of 1978 and OMB Circular A-73. We are preparing a Departmental regulation to facilitate resolution.

6. ***Guaranteed Loan to Owl Construction Co., Inc., issued July 22, 1986***

The audit recommended referring the violations of the lender's agreement to OGC to determine how much of the guarantee may be enforced. FmHA would then recover losses not covered by the guarantee. OGC advised FmHA that the lender needs to liquidate the remaining loan collateral prior to OGC initiating legal action against the lender. The lender advised that liquidation is being completed.

7. ***Guaranteed Loan to Sherman Construction Co., Inc., issued May 4, 1987***

The audit found that the terms of the loan guarantee and the lender's agreement were violated by the lender. FmHA referred the case to OGC who advised FmHA to ensure the lender liquidated all of the loan collateral. Upon completion of the liquidation in November 1988, OGC will initiate formal legal proceedings against the lender.

8. ***Business and Industrial Loan to Glover, Inc., issued August 24, 1987***

The audit recommended referring the violations of the lender's agreement to OGC to determine the extent of enforceability of the loan note guarantee. OGC is continuing to review these issues prior to initiating recovery action against the lender.

9. ***Guaranteed Loan to Louisiana Marine Protein, Inc., issued March 19, 1986***

The audit recommended that violations of the lender's agreement be referred to OGC to determine the extent of enforcing the loan guarantee.



We also recommended recovery of losses to the extent the guarantee was not enforceable and the improperly expended loan funds be disallowed from the loss claim.

FmHA submitted the case to OGC to seek recovery of \$2.6 million in loan funds plus accrued interest estimated at \$1 million minimum. OGC referred the case to the United States Attorney and resolution is pending action by that office.

### **Debts Arising From OIG Activities**

USDA agencies established 45 new claims during the reporting period arising from OIG audits and investigations. This amounted to more than \$45.9 million, with approximately \$2.4 million collected against these and other prior claims, and over \$1.1 million waived, compromised, or reduced because of postaudit justification.

### **Single Audit Activities and Audit Quality**

OIG monitors the work performed by non-Federal auditors for program agencies of the Department and takes appropriate steps to ensure their work meets the standards established by the Comptroller General. Where OIG has been assigned cognizance for single audits of State and local governments, we work closely with the independent auditors to assure that the single audit work performed by non-Federal auditors meets the requirements of OMB Circular A-128, Audits of State and Local Governments, and the standards promulgated by the Comptroller General. In addition, OIG participates in the quality control review of Statewide audits led by other cognizant agencies.

As the assigned lead cognizant agency, with the support of representatives of five Federal Inspectors General, we reviewed audits performed by the Pennsylvania Auditor General and a certified public accounting firm. During this 6-month period, Pennsylvania released two separate reports for FYs 1986 and 1987. The reports contained recommendations to improve the monitoring of subrecipient reports. The audit also disclosed that while the system to account for donated commodities had improved since the prior audit, additional refinements are necessary to improve the accuracy of the records.

OIG is also assigned cognizance for single audits in the State of Minnesota, which recently completed its fifth single audit. For the year ended June 30, 1987, the State received approximately \$1.9 billion in Federal assistance under about 200 programs. The auditors reviewed 48 major Federal programs, and altogether

sampled 96 percent of the 1987 Federal expenditures. The Minnesota Legislative Auditor made 59 recommendations involving programs of 11 Federal agencies, and questioned over \$315,000 in costs. The Legislative Auditor also reported on two Statewide findings: lack of documentation to support payroll transfers, and lack of followup on unacceptable subrecipient audits.

In conjunction with the single audit, the Minnesota Office of the State Auditor summarized its reviews of the quality of 768 audits of subrecipients. The State Auditor reported that 106 of the reports (13.8 percent) did not fully meet reporting standards. Federal funds received by the subrecipients totaled almost \$839 million, of which \$596 million was passed through State agencies. Questioned costs at the subrecipient level totaled over \$1.3 million.

In addition to performing indepth reviews of the auditors' work, OIG conducts a desk review of the report to determine that the reporting requirements are met. Where necessary, clarifications and revisions of reports are obtained. Since the last Semiannual Report, OIG has reviewed 68 Single Audit Act and other organizationwide audit reports. Of these, six contained deficiencies which we brought to the attention of the auditees and their auditors.

Also, we received and distributed 310 reports furnished to us by other Federal cognizant agencies. In addition, the Department annually receives numerous reports from non-Federal auditors pursuant to program requirements. These non-Federal audit reports are submitted directly to agency program managers. In July 1987, our reviews of the quality of work performed led to the referral of 16 CPA firms to State boards of accountancy for substandard work. To date, State boards have acted on 11 of the referrals. Sanctions have included requiring CPA's to take specific continuing education courses, censuring of one CPA, and suspending another CPA's license for 3 years. The American Institute of Certified Public Accountants has resolved four cases of its own, substantiating the violations by three of them. We are continuing to monitor the resolution of the remaining cases.

### **Indictments and Convictions**

Between April 1, 1988, and September 30, 1988, OIG completed 789 investigations. We referred 333 cases to Federal, State and local prosecutors for their prosecutive decisions.

During the reporting period, our investigations led to 358 indictments and 324 convictions. Fines, recover-



ies/collections, and restitutions resulting from our investigations totaled about \$10.8 million. Administrative penalties of \$2.9 million were established and costs of \$1.9 million were avoided.

The following is a breakdown by agency of indictments and convictions for FY 1988:

Agency	Indictments	Convictions <sup>a</sup>
Agricultural Marketing Service	11	8
Agricultural Research Service	0	1
Agricultural Stabilization and Conservation Service	33	33
Farmers Home Administration	79	90
Federal Crop Insurance Corporation	17	10
Foreign Agricultural Service	0	1
Forest Service	9	9
Rural Electrification Administration	2	2
Food Safety and Inspection Service	25	22
Food and Nutrition Service	530	459
Animal and Plant Health Inspection Service	8	9
Multiple Agencies	2	2
Totals	716	646

<sup>a</sup> Includes Pre-trial Diversions

Note: Since the period of time to get court action on indictments varies, the convictions are not necessarily related to the indictments.

## Hotline Complaints

The USDA/OIG Hotline serves as a national receiving point for the reporting of suspected incidents of fraud, waste, and abuse in USDA programs and operations for both Departmental employees and the general public. The Inspector General Act of 1978 provides that employees may report such incidents with the assurance of anonymity and protection from reprisal.

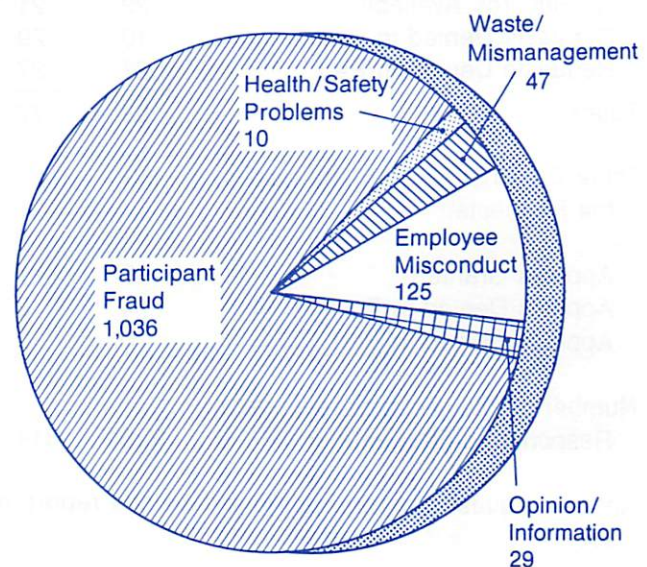
During this reporting period, the OIG Hotline received and analyzed 1,247 complaints. A total of 67 of these complaints were accepted for investigation or audit by OIG while 35 were declined and/or sent to another Federal law enforcement agency. A total of 949 were referred to the administering USDA agency for resolution and response to OIG. Of the remainder, 180 com-

plaints were provided to the responsible USDA agency for information (no response to OIG requested), while 16 contained insufficient information to enable a referral.

The 24-hour, toll-free telephone number continues to be the major source for receipt of complaints. The majority of complaints are allegations of participant fraud in USDA's programs. Figure 11 shows a breakdown of the various types of allegations for this reporting period.

Figure 11

April 1, 1988 through September 30, 1988



Total cases = 1,247



## Freedom of Information and Privacy Act Activities

OIG processed 212 requests under the Freedom of Information Act (FOIA), compared to 189 for the previous 6 months. The following schedule presents FOIA data for this and the previous reporting period.

	Last Period	This Period
Number of Requests	189	212
Number of Favorable Responses	130	135
Number of Unfavorable Responses	59	77

### Unfavorable Responses Due to:

No Records Available	22	21
Requests Denied in Full	10	29
Requests Denied in Part	27	27
Totals	59	77

### Other Data not Directly Affected by the Requests:

Appeals Granted	0	1
Appeals Denied in Full	4	0
Appeals Denied in Part	0	0

Number of OIG Reports released in Response to Requests	226	314
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Note: A request can require more than one report in response.



## Debts Owed to the Department of Agriculture

In accordance with a request in the Senate Committee on Appropriations' report on the Supplemental Appropriations and Rescission Bill of 1980, the following chart shows unaudited figures provided by the agencies to the Department's Office of Finance and Management on the amounts of money owed and overdue during this 6-month period. OIG notes that FmHA only reports on past due installment amounts. All amounts are expressed in thousands of dollars.

	As of March 31, 1988 (Actual)			As of September 30, 1988 (Estimated)		
	Owed	Overdue	Written Off 3/31/88	Owed	Overdue	Written Off 9/30/88
Farmers Home Administration	\$65,169,016	\$9,577,207	\$(970,360)	\$63,500,000	\$8,800,000	\$(1,700,000)
Rural Electrification Administration	35,641,822	1,057,493	-0-	35,259,966	390,520	-0-
Agricultural Stabilization and Conservation Service/ Commodity Credit Corporation	33,622,651	964,250	(223,791)	27,556,144	732,879	(21,102)
Forest Service	214,300	187,554	(743)	285,778	252,720	(7,639)
Federal Crop Insurance Corporation	83,405	19,002	(656)	269,765	18,188	(1,081)
Food and Nutrition Service	505,433	502,996	-0-	583,239	582,371	(119)
Soil Conservation Service	7,389	2,457	(16)	8,858	2,525	(25)
Federal Grain Inspection Service	3,797	483	(12)	2,922	358	(31)
Office of International Cooperation and Development	51	49	-0-	48	46	-0-
Agricultural Marketing Service	12,260	1,609	(138)	9,880	1,656	(110)
Food Safety and Inspection Service	5,568	1,275	(82)	4,805	711	(99)
Agricultural Research Service	782	765	-0-	937	722	-0-
Cooperative State Research Service	2	2	-0-	2	2	-0-
Extension Service	94	93	-0-	131	131	-0-
National Agricultural Library	7	7	-0-	8	7	-0-
Animal and Plant Health Inspection Service	1,473	714	(32)	1,327	593	(57)
Working Capital Fund-Dept'al Administration	131	76	-0-	164	102	-0-
Office of Governmental and Public Affairs-Dept'al Admin.	3	3	-0-	4	4	-0-
Office of the Secretary-Dept'al Admin.	16	15	-0-	14	13	-0-
Foreign Agricultural Service	19	12	-0-	25	23	-0-
National Agricultural Statistics Service	154	153	-0-	129	128	-0-
Economic Research Service	22	19	-0-	23	19	-0-
Office of Inspector General	13	11	-0-	16	14	-0-
Office of the General Counsel	4	4	-0-	4	4	-0-
Office of Transportation	1	1	-0-	1	1	-0-
Packers and Stockyards Administration	1	-0-	-0-	1	-0-	-0-
Agricultural Cooperative Service	-0-	-0-	-0-	7	1	-0-
Totals	\$135,268,414	\$12,316,250	\$(1,195,830)	\$127,484,198	\$10,783,738	\$(1,730,263)

Notes: (1) The FmHA receivables were reduced by about \$1.4 billion due to prepayments of Rural Development loans.

(2) CCC - \$546 million of the overdue receivables are foreign debts which will be rescheduled.



**Appendix**  
**Listing of Audit Reports Issued**  
**April 1, 1988, through September 30, 1988**

During the 6-month period from April 1, 1988, through September 30, 1988, the Office of Inspector General issued 295 audit reports, including 89 performed under contract by certified public accountants and 68 performed under the Single Audit and other organizationwide audits.

	AGENCY	AUDITS RELEASED
AMS	Agricultural Marketing Service	4
ARS	Agricultural Research Service	7
ASCS	Agricultural Stabilization and Conservation Service	53
FmHA	Farmers Home Administration	37
FCIC	Federal Crop Insurance Corporation	2
ES	Extension Service	2
FS	Forest Service	8
REA	Rural Electrification Administration	1
SCS	Soil Conservation Service	6
OFM	Office of Finance and Management	2
CSRS	Cooperative State Research Service	3
OO	Office of Operations	2
FNS	Food and Nutrition Service	82
APHIS	Animal and Plant Health Inspection Service	8
FGIS	Federal Grain Inspection Service	3
FSIS	Food Safety and Inspection Service	2
MULT	Multi-Agency/Division Code	69
OIRM	Office of Information Resources Management	3
NFC	National Finance Center	1
	Total Completed:	
	Single Agency Audit	226
	Multiagency/Division	69
	Total Released Nationwide	295
	Total Completed Under Contract*	89
	Total Single Audit Issued**	68

\*Indicates audits completed under certified public accountant contracts.

\*\*Indicates audits performed under the Single Audits Act and other organizationwide audits.



UNITED STATES DEPARTMENT OF AGRICULTURE  
OFFICE OF INSPECTOR GENERAL—AUDIT  
AUDIT REPORTS RELEASED  
BETWEEN APRIL 1, 1988 AND SEPTEMBER 30, 1988

AUDIT NUMBER	REGION	RELEASE DATE	TITLE
AGENCY - AMS AGRICULTURAL MARKETING SERVICE			
01-099-0015	SER	09-30-88	AMS—SURVEY IMPLEMENTATION OF RESEARCH AND PROMOTION ACTS
01-099-0016	SER	09-22-88	AMS STRAWBERRY MARKETING ORDER REFERENDUM, WINTER HAVEN, FL
01-099-0024	NER	07-18-88	AMS DAIRY PROMOTION PROGRAM FUNDS
01-099-0047	WR	08-22-88	AMS-ORANGE MARKETING ORDER REFERENDUM-FRESNO,CA
TOTAL: AMS - AGRICULTURAL MARKETING SERVICE			— 04
AGENCY - ARS AGRICULTURAL RESEARCH SERVICE			
02-099-0002	NER	08-10-88	PLUM ISLAND IMPREST FUND
*02-545-0003	SWR	08-16-88	ARS GUARANTY INDUSTRIAL CONTRACTORS INC CONTRACT 503K1562800
*02-545-0004	SWR	04-06-88	PRICE ADJUSTMENT ON CONTRACT NO 503K1558100
*02-545-0006	SER	04-28-88	DCAA PREAWARD AUDIT OF JOMC CHARLOTTE, NC RFP NO 25-3K06-88
*02-545-0007	SER	08-05-88	DCAA PREAWARD AUDIT OF JOMC CHARLOTTE, NC RFP NO 27-3K06-88
02-545-0019	NER	04-01-88	A-76 COST ESTIMATE FOR NATIONAL ARBORETUM AND ARS GLENDALE
*02-545-0020	NER	05-02-88	COST EVALUATION-OGDEN ALLIED INDUSTRIAL SERVICES
TOTAL: ARS - AGRICULTURAL RESEARCH SERVICE			— 07
AGENCY - ASCS AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE			
03-004-0001	SER	09-29-88	ASCS—TOBACCO PRICE SUPPORT RATES
03-091-0007	FMS	07-18-88	ASCS CONCENTRATED BANKING
03-091-0008	FMS	05-31-88	AUDIT OF INVENTORY PROTECTION PAYMENTS FOR COTTON
03-091-0010	FS	05-31-88	ASCS BUDGET AND APPROPRIATED FUND ACCOUNTING SYSTEM (ABAFAS)
03-091-0011	FMS	08-29-88	ASCS PROCESSED COMMODITY ACCOUNTING SYSTEMS
03-091-0325	GPR	07-14-88	ASCS CONCENTRATION BANKING SYSTEM IN NEBRASKA
03-091-0326	GPR	07-14-88	ASCS CONCENTRATION BANKING SYSTEM IN IOWA
03-099-0006	FMS	04-15-88	ADP PAYMENT SYSTEM FOR CCC COMMODITY PROGRAMS
03-099-0010	FMS	07-25-88	SURVEY OF OVERDELIVERIES PRICE SUPPORT LOANS/PURCHASE AGREEMENTS
03-099-0011	FMS	09-30-88	ASCS COMMODITY CERTIFICATE INTERNAL CONTROLS FOLLOWUP REVIEW
03-099-0015	FMS	06-01-88	ASCS KCMO BUILDING SERVICES CONTRACT
03-099-0102	GPR	07-12-88	ASCS IMPLEMENTATION OF SODBUSTER-SWAMPBUSTER PROVISIONS
03-099-0114	GPR	07-14-88	ASCS CRP PAYMENT LIMITATION IN COLORADO
03-099-0115	GPR	07-13-88	ASCS OUTSIDE EMPLOYMENT OR ACTIVITIES LINCOLN NEBR
03-099-0117	GPR	06-10-88	ASCS SURVEY OF CO OPERATIONS WAYNE COUNTY IOWA
03-099-0120	SER	06-10-88	ASCS—EXPORT OF ADDITIONAL PEANUTS
03-099-0121	SER	08-22-88	ASCS-IMPLEMENTATION OF TOBACCO PROGRAM IMPROVEMENTS
03-099-0121	GPR	08-17-88	ASCS-COUNTY OFFICE OPERATIONS IN LARAMIE COUNTY, WY
03-099-0123	GPR	09-30-88	ASCS—FOLLOW-UP REVIEW OF CONSERVATION RESERVE PROGRAM
03-099-0124	GPR	09-30-88	ASCS-CRP PAYMENT LIMITATION FOR A MISSOURI PRODUCER
03-530-0029	FMS	06-21-88	SCOAP DATA TRANSMISSIONS INTERNAL CONTROLS
*03-545-0008	NER	09-09-88	APPLIED SYSTEMS INST., WASH. DC, PROVISIONAL RATES
*03-545-0009	NER	04-01-88	KOH SYSTEMS INC. ROCKVILLE, MD, PREAWARD PRICE PROPOSAL
*03-545-0011	NER	05-09-88	INCURRED COST AUDIT ASI, WASH. DC 6-00110
*03-545-0012	NER	05-09-88	INCURRED COST AUDIT ASI, WASH. DC 6-01116
03-630-0019	SWR	05-20-88	ASCS FOLLOWUP REVIEW PAYMENT LIMITATION CASES IN ARK
03-632-0001	NER	07-18-88	DAIRY TERMINATION PROGRAM PHASE II PRODUCER COMPLIANCE
03-632-0004	GPR	07-14-88	PRODUCER COMPLIANCE WITH DTP CONTRACTUAL REQUIREMENTS—ID
03-640-0001	SWR	04-07-88	ASCS EVALUATION OF SECURITY AND REPAYMENT-COMMODITY LOANS
03-640-0001	GPR	08-16-88	ASCS, COMMODITY LOAN PROGRAM, DES MOINES, IOWA
03-640-0002	MWR	09-27-88	EVALUATION OF SECURITY AND REPAYMENT OF COMMODITY LOANS
03-640-0002	GPR	05-18-88	ASCS, COMMODITY LOAN PROGRAM, LINCOLN, NEBRASKA
03-641-0002	SWR	09-30-88	ASCS RICE LOANS TO COOPERATIVES
03-642-0002	GPR	07-25-88	ASCS SURVEY OF FIELD OPERATIONS-NEBRASKA
03-642-0004	GPR	05-18-88	ASCS SURVEY OF FIELD OPERATIONS—IOWA
03-642-0005	GPR	05-18-88	ASCS SURVEY OF FIELD OPERATIONS-KANSAS
03-642-0008	GPR	08-04-88	SURVEY OF JOHNSON COUNTY KANSAS ASCS OPERATIONS
03-645-0002	WR	09-20-88	ASCS-LARGE PMTS-1986-FRESNO CO.



UNITED STATES DEPARTMENT OF AGRICULTURE  
OFFICE OF INSPECTOR GENERAL—AUDIT  
AUDIT REPORTS RELEASED  
BETWEEN APRIL 1, 1988 AND SEPTEMBER 30, 1988

AUDIT NUMBER	REGION	RELEASE DATE	TITLE
AGENCY - ASCS AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE—Continued			
03-645-0003	SWR	05-10-88	ASCS AUDIT OF LARGE PAYMENTS FOR 1986
03-645-0003	WR	06-14-88	ASCS-LARGE PMTS-1986-KINGS CO.
03-645-0004	SWR	05-10-88	ASCS AUDIT OF LARGE PAYMENTS FOR 1986
03-645-0004	WRS	06-29-88	ASCS-LARGE PMTS-1986-KINGS CO.
03-645-0005	SWR	06-29-88	ASCS AUDIT OF LARGE PAYMENTS FOR 1986
03-645-0005	WR	06-14-88	ASCS-LARGE PMTS-1986-KINGS CO.
03-645-0006	SWR	07-06-88	ASCS AUDIT OF LARGE PAYMENTS FOR 1986
03-645-0006	WR	08-02-88	ASCS-LARGE PMTS-1986-FRESNO CO.
03-645-0007	WR	09-20-88	ASCS-LARGE PMTS-1986-KERN CO.
03-645-0008	WR	08-03-88	ASCS-LARGE PMTS-1986-KINGS CO.
03-645-0009	SWR	05-24-88	ASCS-AUDIT OF LARGE PAYMENTS FOR 1986
03-645-0010	SWR	06-30-88	ASCS-AUDIT OF LARGE PAYMENTS FOR 1986
03-645-0010	WR	09-20-88	ASCS-LARGE PMTS-1986-FRESNO CO.
03-645-0011	SWR	07-11-88	ASCS-AUDIT OF LARGE PAYMENTS FOR 1986
03-645-0013	SWR	06-02-88	ASCS-AUDIT OF LARGE PAYMENTS FOR 1986
TOTAL: ASCS - AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE			— 53
AGENCY - FMHA FARMERS HOME ADMINISTRATION			
04-001-0030	NER	09-30-88	STATE OFFICE MGMT AND OPERATIONS, PA.
04-003-0006	NER	06-14-88	FMHA SPECIAL REQUEST-RURAL HOUSING ISSUES, RICHMOND, VA.
04-006-0002	SER	08-10-88	FMHA—IMPLEMENTATION OF OMB'S NINE POINT CREDIT MGMT PROG
04-091-0013	FMS	07-01-88	FMHA-ACCOUNTING OF CP LOAN ASSET SALE
04-097-0001	NER	04-07-88	RURAL ENTERPRISES, INC., DURANT, OKLAHOMA
04-097-0002	NER	08-01-88	CARIBOU RURAL RENTAL HOUSING PROJECT
04-099-0020	NAR	07-12-88	PUERTO RICO B&I LOAN AHRENS AIRCRAFT INCORPORATED
04-099-0021	NAR	07-12-88	PUERTO ROCB B&I LOAN ARENAS PROCESADAS INCORPORATED
04-099-0070	WR	09-02-88	FMHA BUSINESS AND INDUSTRY LOAN AUDIT, SWIFT AIRE, INC.
*04-099-0082	MWR	05-02-88	AUDIT OF B&I GUARANTEED LOAN OF DIETZ & LANCASTER
04-099-0083	MWR	08-03-88	SPECIAL REQUEST AUDIT—ITHACA FMHA COUNTY OFFICE
*04-099-0084	MWR	08-04-88	FMHA CP LOAN GIBSON WATER INC. HAUBSTADT, IN
04-099-0132	SWR	08-30-88	FMHA B&I LOAN SMATCO INC TERREBONNEPAR HOUMA LA
04-099-0134	SWR	08-30-88	FMHA B&I LOANS BAY WULF BOOKS OFHAMMOND INC HAMMOND LA
04-099-0135	SWR	09-02-88	FMHA B&I LOAN LEBOSS'IER HOTEL BOSSIER PAR BOSSIER CITY LA
04-099-0136	SWR	08-30-88	FMHA B&I LOAN HILL PETROLEUM CO ST LANDRY PAR KROTZ SP LA
04-099-0142	SWR	07-06-88	REVIEW OF LOANS ON ABANDONED PROPERTIES IN MONROE LA
04-099-0268	SER	05-16-88	FMHA RURAL DEVELOPMENT LOAN TO SEEDCO
04-099-0269	SER	08-10-88	FMHA—SETTLEMENT OF CLAIMS
04-530-0028	FMS	08-30-88	FMHA FIELD OFFICE AUTOMATION
04-530-0030	FMS	06-10-88	FMHA-REVIEW OF AFMS SOFTWARE CONTRACTS
*04-545-0002	GPR	06-15-88	FMHA CONTRACT CLOSEOUT (NO. 53-3157-5-7) PRICEWATER STL, MO
*04-545-0003	GPR	06-15-88	FMHA, CONTRACT CLOSEOUT (NO.53-3157-5-11) P.WATERH, STL, MO
*04-545-0007	SWR	04-20-88	FMHA RURAL ENTERPRISES INC CONTRACT NO 53-3157-5-18
*04-545-0008	SWR	08-09-88	FMHA NATIONAL RURAL WATER ASSOCIATION CONTRACT NO 53315766
*04-545-0018	NER	09-09-88	INCURRED COST AUDIT-OAO CORPORATION, GREENBELT, ME
04-545-0019	NER	05-27-88	NCALL RESEARCH FUND, INC. DOVER, DE-INCURRED COST AUDIT
04-663-0001	SER	04-05-88	FMHA CASH AND DEBT MANAGEMENTACTIVITIES- GEORGIA
04-663-0001	SWR	06-15-88	FMHA CASH & DEBT MANAGEMENT, ARK
04-663-0001	GPR	05-18-88	FMHA CASH AND DEBT MANAGEMENT ACTIVITIES IN IOWA (6 COUNTIES)
04-663-0001	WR	04-29-88	AUDIT OF OREGON FMHA CASH AND DEBT MANAGEMENT ACTIVITIES
04-663-0002	SER	04-05-88	FMHA CASH AND DEBT MANAGEMENT ACTIVITIES- NORTH CAROLINA
04-663-0002	SWR	05-24-88	FMHA CASH & DEBT MANAGEMENT, LA
04-663-0003	MWR	07-29-88	FMHA CASH AND DEBT MANAGEMENT ACTIVITIES MICHIGAN
04-664-0002	SER	09-30-88	FMHA ACCOUNTING FOR FP LOAN SECURITY-NATIONWIDE AUDIT
04-665-0002	SWR	09-29-88	EVALUATION OF FMHA FARMER PROGRAM GUAR LOANS WASHINGTON DC
04-670-0001	FMS	09-01-88	FMHA-CP GRADUATION REVIEW
TOTAL: FMHA - FARMERS HOME ADMINISTRATION			— 37



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AUDIT NUMBER	REGION	RELEASE DATE	TITLE	
AGENCY - FCIC    FEDERAL CROP INSURANCE CORP				
05-099-0006	WR	09-30-88	FCIC-POTATO POLICIES	
05-099-0007	MWR	09-20-88	REQUEST AUDIT OF HYBRID SEED LOSS CLAIMS	
TOTAL: FCIC - FEDERAL CROP INSURANCE CORP				— 02
AGENCY - ES    EXTENSION SERVICE				
06-004-0012	SER	09-27-88	ES ALABAMA A&M UNIVERSITY, NORMAL, ALABAMA	
06-099-0003	SER	09-28-88	ES—GRANTS FOR FINANCIALLY STRESSED FARMERS-SURVEY	
TOTAL: ES - EXTENSION SERVICE				— 02
AGENCY - FS    FOREST SERVICE				
08-097-0010	WR	04-29-88	FS CONCESSIONAIRE FEE-TIMBERLINE LODGE SKI AREA	
08-099-0027	SER	07-07-88	FS—YEAREND PROCUREMENT FOLLOWUP—SURVEY	
*08-099-0029	SER	06-01-88	INDIRECT COSTS-AL FORESTRY COMM FY'S 1983 THRU 1986	
*08-099-0030	SER	05-27-88	INDIRECT COSTS-SC FORESTRY COMM FY'S 1985 AND 1986	
08-099-0032	SER	04-15-88	SURVEY—FS CONTROLS OVER TIMBER HARVEST	
*08-545-0017	NER	09-13-88	INCURRED COST AUDIT-ROGERS, GOLDEN, & HALPERM, PHILADELPHIA, PA	
*08-545-0034	WR	08-23-88	EQUITABLE CLAIM—PACIFIC STATES CONTRACTORS, INC	
08-637-0001	WR	07-22-88	COST EFFECTIVENESS OF FOREST SERVICE TREE NURSERIES	
TOTAL: FS - FOREST SERVICE				— 08
AGENCY - REA    RURAL ELECTRIFICATION ADMINISTRATION				
09-099-0004	SER	09-30-88	REA LOAN APPLICATION—OGLETHORPE POWER CORPORATION	
TOTAL: REA - RURAL ELECTRIFICATION ADMINISTRATION				— 01
AGENCY - SCS    SOIL CONSERVATION SERVICE				
*10-545-0007	GPR	08-11-88	SCS CONTRACT CLAIM RAMSDELL CONSTRUCTION CO	
10-545-0018	SWR	06-22-88	CONTRACTOR CLAIM FOR REDUCED CONSTRUCTION SITE 5 HAYS CO TX	
10-545-0019	SWR	09-01-88	SCS CONTRACT SETTLEMENT G&L CONTRACTORS VICKSBURG MISS	
10-545-0020	SWR	09-01-88	SCS CONTRACT INITIAL PRICE PROPOSAL HAK INC BOZEMAN MT	
*10-545-0025	NER	06-16-88	CONTRACT MODIFICATION—HALEY CHISHOLM AND MORRIS	
10-610-0007	SER	06-20-88	SCS-STATE LEVEL IMPLEMENTATION OF FOCAS, WASHINGTON, DC	
TOTAL: SCS - SOIL CONSERVATION SERVICE				— 06
AGENCY - OFM    OFFICE OF FINANCE AND MANAGEMENT				
11-099-0004	FMS	07-12-88	PCIE REVIEW OF IMPLEMENTATION OF THE PROMPT PAYMENT ACT	
11-099-0005	FMS	07-07-88	CAS-FY 86 YEAR-END CLOSING NEW ORLEANS, LA	
TOTAL: OFM - OFFICE OF FINANCE AND MANAGEMENT				— 02
AGENCY - CSRS    COOPERATIVE STATE RESEARCH SERVICE				
13-004-0010	SER	06-08-88	CSRS NORTH CAROLINA A&T, GREENSBORO, NC	
13-004-0011	SER	05-11-88	CSRS ALABAMA A&M UNIVERSITY, NORMAL, ALABAMA	
13-004-0012	SER	08-30-88	CSRS ALCORN STATE UNIVERSITY, LORMAN, MISSISSIPPI	
TOTAL: CSRS - COOPERATIVE STATE RESEARCH SERVICE				— 03



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AUDIT NUMBER	REGION	RELEASE DATE	TITLE
AGENCY - OO OFFICE OF OPERATIONS			
23-099-0002	NER	04-01-88	OFFICE OF OPERATIONS MANAGEMENT OF USDA HQ COMPLEX
23-545-0001	NER	06-13-88	OO CONTRACT 54-3142-5-053, INFO SYSTEMS, BETHESDA, MD
TOTAL: OO - OFFICE OF OPERATIONS			— 02
AGENCY - FNS FOOD AND NUTRITION SERVICE			
27-013-0044	SWR	04-15-88	FNS CONTROLS OVER FOOD STAMP CLAIMS AGAINST HOUSEHOLDS—TX
27-013-0060	SER	07-11-88	FNS FSP CASEFILE DOCUMENTATION, FLORIDA STATEWIDE AUDIT
27-022-0041	WR	08-26-88	AUDIT OF GUAM DEPARTMENT OF EDUCATION, FOOD SERVICES OPER.
27-023-0197	SER	08-31-88	FNS CNP SCHOOL LUNCH PROGRAM, TALLAHASSEE, FLORIDA
27-023-0198	SER	04-01-88	FNS SCHOOL FOOD SERVICE PROG CHARLESTON SC COUNTY SCH DIST
27-023-0199	SER	09-20-88	FNS SCHOOL FOOD SERVICE PROG MOBILE AL COUNTY SCHOOL DIST
*27-025-0003	GPR	09-14-88	FNS, CCFP, COOK CHILD DISCOVERY, OMAHA, NE
*27-028-0041	GPR	08-25-88	FNS, SFSP, CARUTHERSVILLE PARK BOARD, CARUTHERSVILLE, MO
*27-028-0042	GPR	09-18-88	FNS, SFSP, VILLAGE OF HAYWOOD CITY, HAYWOOD CITY, MISSOURI
*27-028-0043	GPR	08-25-88	FNS, SFSP, CITY OF HAYTI HEIGHTS, HAYTI HEIGHTS, MISSOURI
*27-028-0044	GPR	07-18-88	FNS, SFSP, CITY OF BEVERLY HILLS, BEVERLY HILLS, MISSOURI
*27-029-0155	NER	07-18-88	CCFP TOTAL ACTION AGAINST POVERTY ROANOKE VA.
*27-029-0157	NER	05-19-88	CCFP CHILD & FAMILY SERVICES INC. STAFFORD, VA.
*27-029-0159	NER	07-18-88	CCFP GREENVALE NURSERY SCHOOL ROANOKE VA.
*27-029-0160	NER	05-18-88	CCFP DAY CARE/CHILD DEVELOPMENT CTR OF TIDEWATER NORFOLK
*27-029-0161	NER	05-31-88	CCFP ANNANDALE CHRISTIAN COMMUNITY FOR ACTION ANNAN. VA.
*27-029-0163	NER	05-31-88	CCFP MOUNTAIN COMMUNITY ACTION PROGRAM MARION VA.
*27-029-0164	NER	05-18-88	CCFP LYNCHBURG COMMUNITY ACTION PROGRAM LYNCHBURG VA
*27-029-0165	NER	05-26-88	CCFP CENTRAL VA CHILD DEVELOPMENT ASSOC CHARLOTTESVILLE VA
*27-029-0166	NER	04-26-88	CCFP WISE COUNTY & NORTON HEAD START NORFOLK VA.
*27-029-0359	WR	07-21-88	FNS-CCFP RAINBOWS AND SUNSHINE PRESCHOOL—RICHLAND, WA
*27-029-0387	GPR	07-22-88	FNS, CCFP, PLAYCARE CTR & PRESCHOOL, (65460), ST. LOUIS, MO
*27-029-0392	GPR	04-13-88	FNS, CCFP, JEFFERSON—FRANKLIN COMM ACTION CORP, HILL, MO
*27-029-0393	GPR	04-13-88	FNS, CCFP, EAST MO ACTION AGENCY, (56646), FLAT RIVER, MO
*27-029-0395	GPR	04-13-88	FNS, CCFP, JVL HOUSING CORP., (59729), ST. LOUIS, MO
*27-029-0397	GPR	04-04-88	FNS, CCFP, DARST CHILD DEVELOPMENT, (61454), ST. LOUIS, MO
*27-029-0400	GPR	04-14-88	FNS, CCFP, VAUGHN TENANT ASSN., (65374), ST. LOUIS, MO
*27-029-0403	GPR	04-13-88	FNS, CCFP, CNSI, (51371), ST. LOUIS, MO
*27-029-0404	GPR	06-06-88	FNS, CCFP, CHILD NUTRITION SVC INC, (65474), KANSAS CITY, MO
*27-029-0409	GPR	04-19-88	FNS, CCFP, MO OZARKS ECON OPP HEAD START, (56651), RICHLA MO
*27-029-0411	GPR	05-17-88	FNS, CCFP, S CENTRAL MO EOC, (56666), WINONA, MO
*27-029-0412	GPR	04-19-88	FNS, CCFP, IMWR FUND, (61354), FT. LEONARD WOOD, MO
*27-029-0414	GPR	04-13-88	FNS, CCFP, ANDERSON HAYES DAY CARE CTR, COLUMBIA, MO
*27-029-0419	GPR	04-11-88	FNS, CCFP, SPRINGFIELD AREA COUNCIL OF CHURCHES, (61556), MO
*27-029-0971	NAR	06-20-88	FNS-CCFP HUDSON GUILD GDC & OSH
*27-029-0972	NAR	06-20-88	FNS-CCFP CHINATOWN PLANNING COUNCIL
*27-029-0976	NAR	04-22-88	FNS-CCFP FRANK D WHALEN
*27-029-0977	NAR	04-22-88	FNS-CCFP CARDINAL MCCLOSKEY CHILDRENS & FAMILY SERVICES
*27-029-0979	NAR	05-11-88	FNS-CCFP UNIVERSAL CHURCH OF CHRIST
*27-029-0981	NAR	06-20-88	FNS-CCFP WHITE PLAINS CHILD DAY CARE ASSOC HS
*27-029-0983	NAR	08-22-88	FNS-CCFP NYC BOARD OF ED, OFFICE OF SCHOOL FOOD SERVICES
*27-029-0985	NAR	04-22-88	FNS-CCFP COMMUNITY DAY NURSERY INC
*27-029-0990	NAR	04-22-88	FNS-CCFP COLONY SOUTH BROOKLYN HOUSES INC
*27-029-0996	NAR	05-04-88	FNS-CCFP THE CHILD CARE COUNCIL OF SUFFOLK
*27-029-1002	NAR	04-12-88	FNS-CCFP UNIVERSITY SETTLEMENT SOCIETY OF NY
*27-029-1004	NAR	06-20-88	FNS-CCFP POLICE ATHLETIC LEAGUE
*27-029-1006	NAR	05-23-88	FNS-CCFP NEW YORK CITY HOUSING AUTHORITY
*27-029-1009	NAR	04-07-88	FNS-CCFP JEWISH CHILD CARE ASSOC DC
*27-029-1011	NAR	08-10-88	FNS-CCFP GARDENS NURSERY SCHOOL
*27-029-1012	NAR	04-12-88	FNS-CCFP UNION SETTLEMENT ASSOC DCC
*27-029-1013	NAR	07-05-88	FNS-CCFP JAMES WELDON JOHNSON CHILD CARE INC



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AUDIT NUMBER	REGION	RELEASE DATE	TITLE
AGENCY - FNS FOOD AND NUTRITION SERVICE—Continued			
*27-029-1018	NAR	04-07-88	FNS-CCFP CONCOURSE DCC
*27-029-1020	NAR	04-07-88	FNS-CCFP PARKCHESTER BRONXDALE DC ASSOC
*27-029-1022	NAR	05-23-88	FNS-CCFP CHURCH OF THE OPEN DOOR
*27-029-1026	NAR	05-23-88	FNS-CCFP FORT GREENE SENIOR CITIZENS COUNCIL INC
*27-029-1030	NAR	04-15-88	FNS-CCFP MORNINGSIDE COMMUNITY CENTER
*27-029-1031	NAR	04-22-88	FNS-CCFP CHAMA CHILD DEVELOPMENT CENTER
*27-029-1033	NAR	08-17-88	FNS-CCFP INVICTUS BLAZERS INC
*27-029-1034	NAR	05-23-88	FNS-CCFP BUILDER FOR FAMILY & YOUTH
*27-029-1036	NAR	08-22-88	FNS-CCFP WILLOUGHBY HOUSE SETTLEMENT
*27-029-1040	NAR	04-15-88	FNS-CCFP EAST NEW YORK DAY CARE SOCIETY
*27-029-1043	NAR	04-15-88	FNS-CCFP UNITED TALMUDICAL ACADEMY
*27-029-1050	NAR	04-15-88	FNS-CCFP JAMAICA DAY NURSERY INC
*27-029-1053	NAR	05-23-88	FNS-CCFP ONEIDA COUNTY DEPARTMENT OF SOCIAL SERVICES
27-031-0021	NER	05-23-88	AUDIT OF MARYLAND'S HOME DELIVERY SYSTEM
*27-031-0022	NER	08-17-88	FNS AUDIT OF VA WIC
27-099-0046	SER	09-20-88	FNS—SALES TAX ON FOOD STAMPPURCHASES
27-099-0078	MWR	09-22-88	ILLINOIS WIC TERMINATED CASES AND DUAL PARTICIPATION CASES
27-541-0002	WR	09-23-88	FNS ARIZONA COMPUTER SYSTEM DESIGN REVIEW
27-541-0031	SER	07-01-88	FNS—KENTUCKY FSP COMPUTER SYSTEM SURVEY
*27-545-0016	SER	06-15-88	PREAWARD AUDIT OF RESEARCH TRIANGLE INST, RALEIGH, NC
*27-545-0055	NER	04-01-88	WASHINGTON CONSULTANT GROUP-PREAWARD AUDIT WASH., DC
*27-545-0059	NER	05-24-88	PREAWARD AUDIT WESTAT
*27-545-0060	NER	07-27-88	PREAWARD AUDIT ABT ASSOCIATES, INC
27-661-0001	SER	05-16-88	FNS-VENDOR MONITORING & CONTROL OFFOOD INSTRUMENTS-FL
27-661-0001	SWR	06-29-88	FNS WIC VENDOR MONITORING & CONTROL OF FOOD INSTRUMENTS—LA
27-661-0001	GPR	08-05-88	FNS, WIC, VENDOR MONITORING ANDCONTROL,JEFF. CITY, MO
27-661-0002	MWR	06-15-88	NATIONWIDE EVALUATION WIC FOODVOUCHERS & VENDOR MONITORING
27-661-0004	MWR	04-29-88	SUPPLEMED PROG. FOR WOMEN INFANTS AND CHILDREN-ILL
27-662-0002	SER	07-19-88	FNS FSP CASEFILE DOCUMENTATION—NATIONWIDE AUDIT
27-665-0001	SWR	08-24-88	FNS FSP TX DEPT HUMAN SERVICES ADMIN COST AUSTIN TX
27-665-0003	WR	09-30-88	FNS ADMIN COST AUDIT FSP WA
TOTAL: FNS - FOOD AND NUTRITION SERVICE			— 82
AGENCY - APHIS ANIMAL AND PLANT HEALTH INSPECTION SERVICE			
*33-099-0005	GPR	07-18-88	APHIS, A-76 COST STUDY REVIEW NAT VET SERV LAB, AMES, IA
33-099-0007	NER	07-11-88	APHIS PPQ INTERNATIONAL ACTIVITIES
*33-545-0006	WR	07-22-88	APHIS—PREAWARD REVIEW—DAMES & MOORE
33-545-0008	NER	05-31-88	INHOUSE ESTIMATES FOR VETERINARY SERVICES ANIMAL IMPORT
33-545-0010	NER	08-10-88	AGRITECH, INC., PORTLAND, MA, COST PROPOSAL—TEST KITS
33-545-0011	NER	08-10-88	AGRITECH, INC. PORTLAND,ME, COST PROPOSAL—TESTING SYSTEMS
*33-545-0012	NER	07-12-88	DCAA CONTRACT/LABAT ANDERSON INC.APHIS 8-005
33-615-0002	NER	06-30-88	SCREWORM ERADICATION PROGRAM
TOTAL: APHIS - ANIMAL AND PLANT HEALTH INSPECTION SERVICE			— 08
AGENCY - FGIS FEDERAL GRAIN INSPECTION SERVICE			
37-008-0002	NER	08-22-88	FSIS GRAIN INSPECTION PROCESSES & PROCEDURES, WASH. DC
37-008-0003	NER	04-01-88	COMPLAINT—FGIS PROTEIN MEASUREMENT WASHINGTON, DC
37-008-0006	NER	08-29-88	FGIS FINANCIAL MANAGEMENT
TOTAL: FGIS - FEDERAL GRAIN INSPECTION SERVICE			— 03



AUDIT NUMBER	REGION	RELEASE DATE	TITLE
**50-562-0001	GPR	05-13-88	A-110 MT ASSOC OF CONSERVATION DIST (7/86-10/87) HELENA MT
**50-562-0006	SWR	05-02-88	A-110 RURAL ENTERPRISES INC DURANT OKLAHOMA
**50-562-0007	WR	05-31-88	A-110 AUDIT SENIOR SERV FOR SO SOUND, WA FYE 12/31/85
**50-562-0008	WR	04-26-88	A-110 AUDIT BENTON—FRANKLIN CAC, WASH FYE 12/31/86
**50-566-0004	NER	09-30-88	COMMONWEALTH OF PA
**50-566-0004	SWR	04-22-88	A-128 AUDIT OF NEW MEXICO STATE UNIVERSITY FYE JUNE 30 1987
**50-566-0004	WR	04-01-88	A-128 AUDIT HAWAII DEPARTMENT OF AGRICULTURE - FYE 6/30/86
**50-566-0005	NER	09-30-88	COMMONWEALTH OF PA
**50-566-0006	NER	09-28-88	MAINE DEPT. OF CONSERVATION, A-128, FYE 6/30/86
**50-566-0006	MWR	05-27-88	SINGLE AUDIT OF ILLINOIS DEPT OF AGRICULTURE THROUGH 6-30-88
**50-566-0006	WR	04-08-88	A-128 AUDIT STATE OF ARIZONA LAND DEPARTMENT FYE 6/30/86
**50-566-0007	NER	08-05-88	A-128 AUDIT OF SC DEPT. OF AGRICULTURE FY'S 1985 & 1986
**50-566-0007	MWR	07-13-88	SINGLE AUDIT OF STATE OF MINNESOTA AS OF JUNE 30, 1987
**50-566-0007	WR	05-06-88	A-128 AUDIT IDAHO DEPARTMENT OF AGRICULTURE FYES 83,84,85,86
**50-566-0009	NER	05-12-88	A-128 AUDIT OF AL DEPT OF AGRI & INDUS FYS 1985 & 1986
**50-566-0009	GPR	07-28-88	A-128 MISSOURI DEPT. OF AGRICULTURE (3 YRS ENDED 6/86)
**50-566-0010	NER	04-20-88	A-128 AUDIT OF NC DEPT. OF AGRICULTURE FYE 6/30/86
**50-566-0010	GPR	07-18-88	A-128 NEBRASKA DEPT. OF AGRICULTURE (6/87), LINCOLN, NE
**50-567-0007	GPR	06-06-88	A-128 PENNINGTON COUNTY 12/86 RAPID CITY, SD
**50-567-0011	WR	05-24-88	A-128 AUDIT CITY OF BURNS, OREGON—FYE 6/30/87
**50-567-0012	WR	05-20-88	A-128 AUDIT CITY OF BLACK DIAMOND, WA FYE 12/31/86
**50-567-0014	SWR	05-25-88	A-128 TOWN OF AFTON OKLAHOMA
**50-567-0015	SWR	09-02-88	A-128 TOWN OF FARMERVILLE LOUISIANA
**50-567-0015	WR	05-27-88	A-128 AUDIT JEFFERSON COUNTY, WASHINGTON FYE 12/31/86
**50-567-0016	SWR	06-16-88	A-128 WEBSTER PARISH SCHOOL BOARD MINDEN LOUISIANA
**50-567-0016	WR	05-31-88	A-128 AUDIT CITY OF WINLOCK, WASHINGTON 1/1/84-12/31/85
**50-567-0017	SWR	07-25-88	A-128 MCCAIN COUNTY RURAL WATER DISTRICT PURCELL OK
**50-567-0017	WR	08-10-88	A-128 AUDIT COUNTY OF BAKER, OREGON FYE 6/30/87
**50-567-0018	WR	05-31-88	A-128 AUDIT TOWN OF GOLDBAR, WASH FYE 12/31/86
**50-567-0019	NER	05-19-88	A-128 AUDIT CITY OF NEWMAN, GA FYE 12/31/86
**50-567-0019	WR	09-15-88	A-128 AUDIT CITY OF SNOHOMISH, WASH FYE 12/31/86
**50-567-0020	NER	04-01-88	CHARLOTTEVILLE, VA, A-128 AUDIT
**50-567-0020	NER	06-27-88	A-128 AUDIT OF CITY OF ELLAVILLE, GAFYE 6/30/86
**50-567-0020	WR	09-16-88	A-128 AUDIT CLALLAM COUNTY, WASHINGTON 1/1/85-12/31/86
**50-567-0021	NER	06-10-88	TOWN OF PETERSBURG NY, A-128, FYE 12/86
**50-567-0021	NER	06-27-88	A-128 AUDIT OF CITY OF ELLAVILLE, GA FYE 6/30/87
**50-567-0022	NER	06-13-88	CITY OF PETERSBURG, VA, A-128, FYE 6/87
**50-567-0022	NER	07-14-88	A-128 AUDIT OF CROFT FIRE DIST SPARTANBURG, SC FYE 3/31/88
**50-567-0023	NER	06-21-88	TOWN OF WINDSOR, CT, A-128, FYE 6/30/87
**50-567-0023	NER	08-05-88	A-128 AUDIT OF CITY OF LOUISVILLE, GA FYE 12/31/87
**50-567-0023	WR	09-14-88	A-128 AUDIT BLACK DIAMOND WATER DIST, WA 1/1/83-12/31/85
**50-567-0024	NER	07-08-88	TOWN OF STOWE VERMONT A-128 FYE 6/30/87
**50-567-0024	WR	09-15-88	A-128 AUDIT CITY OF NAPAVALINE, WASHINGTON 1/1/85-12/31/86
**50-567-0025	WR	09-15-88	A-128 AUDIT HUNTERS WATER DIST NO 1, WASH 1/1/83-12/31/85
**50-567-0026	WR	09-19-88	A-128 AUDIT CAPE SAN JUAN WATER DIST, WA 1/1/83-12/31/85
**50-567-0027	NER	08-29-88	CAMPBELL CO. UTILITIES AND SVC AUTH, VAA-128 FYE 6/30/87
**50-567-0027	WR	09-15-88	A-128 AUDIT CITY OF ASOTIN, WASHINGTON FYE 12/31/86

AGENCY - MULT MULT MULTI-AGENCY/DIVISION CODE

TOTAL: FSIS - FOOD SAFETY AND INSPECTION SERVICE

AGENCY - FSIS	FOOD SAFETY AND INSPECTION SERVICE	INDIRECT COSTS—AL DEPT OF AGRICULTURE & INDUS FYS 85 & 86	FSIS—DATA MANAGEMENT AND ADP CONTROLS
38-092-0010	38-555-0001	05-27-88	04-18-88

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AUDIT NUMBER REGION RELEASE DATE TITLE

AGENCY - AGENCY MULTI MULTI-AGENCY/ DIVISION CODE—Continued

50-567-0028 NEB 08-29-88 PR PUBLIC BUILDINGS AUTHORITY A-128 FYE 6/30/87  
50-567-0028 WA 09-18-88 A-128 AUDIT CITY OF KAHLOTUS, WASHINGTON 1/1/84-12/31/86  
50-567-0029 WA 09-15-88 A-128 AUDIT CITY OF MONTESANO, WASHINGTON 1/1/85-12/31/86  
50-567-0030 WA 08-31-88 A-128 AUDIT TOWN OF QUINCY, WASHINGTON FYE 12/31/86  
50-567-0031 WA 09-14-88 A-128 AUDIT CITY OF BENTON CITY, WASHINGTON 1/1/85-12/31/86  
50-567-0032 WA 09-15-88 A-128 AUDIT CITY OF POMEROY, WASHINGTON FYE 12/31/87  
50-567-0033 WA 09-16-88 A-128 AUDIT CITY OF RITZVILLE, WASHINGTON 1/1/85-12/31/86  
50-567-0034 WA 09-15-88 A-128 AUDIT CITY OF SEDRO-WOOLLEY, WASHINGTON FYE 12/31/86  
50-567-0035 WA 09-19-88 A-128 AUDIT TOWN OF WILSON CREEK, WASHINGTON 1/1/84-12/31/86  
50-567-0036 WA 09-14-88 A-128 AUDIT TOWN OF QUINCY, WASHINGTON FYE 12/31/87  
50-567-0037 WA 09-14-88 A-128 AUDIT CITY OF ROYAL CITY, WASHINGTON 1/86-12/31/87  
50-567-0038 WA 09-14-88 A-128 AUDIT TOWN OF UNIONTOWN, WASHINGTON FYE 12/31/87  
50-567-0039 WA 09-15-88 A-128 AUDIT TOWN OF ILWACO, WASHINGTON 1/1/85-12/31/86  
50-567-0040 WA 09-19-88 S-128 AUDIT LINCOLN CTY HOSP DIST NO 3, WASH EYE 12/31/86  
50-567-0041 WA 09-15-88 A-128 AUDIT TOWN OF HARTLINE, WASHINGTON 1/1/84-12/31/86  
50-567-0042 WA 09-18-88 A-128 AUDIT HOUS AUTH CITY OF WENATCHEE, WASH FYE 12/31/86  
50-567-0043 WA 09-27-88 A-128 AUDIT TOWN OF CUSICK, WASHINGTON FYE 12/31/86  
50-567-0044 WA 09-27-88 A-128 AUDIT CITY OF RITZVILLE, WASHINGTON FYE 12/31/87  
50-567-0045 WA 09-15-88 A-128 AUDIT CITY OF SPRAGUE, WASHINGTON FYE 12/31/87  
50-567-0046 WA 09-18-88 A-128 AUDIT CITY OF TEKOA, WASHINGTON 1/1/86-12/31/87  
50-567-0062 MWR 05-26-88 SINGLE AUDIT OF THE TOWN OF BIRDSEYE INDIANA  
50-813-0002 SER 09-19-88 MULTI-PCIE COORDINATED REVIEW OF GUARANTEED LOANS-SEGMENT 1

TOTAL: MULT - MULTI-AGENCY/DIVISION CODE

— 69

AGENCY - OIRM OFFICE OF INFORMATION RESOURCES MANAGEMENT

58-099-0010 FMS 09-30-88 PCIE COMPUTER SYSTEM INTEGRITY PROJECT  
58-099-0011 FMS 05-24-88 USER BILLING AND CHARGIN SYSTEM-KANSAS CITY COMPUTER CENTER  
58-099-0013 FMS 08-30-88 SURVEY OF DEPNET SECURITY AND BILLINGS DEPT. STANDARDS

TOTAL: OIRM - OFFICE OF INFORMATION RESOURCES MANAGEMENT

— 03

AGENCY - NFC NATIONAL FINANCE CENTER

59-530-0003 FMS 08-17-88 MONITORING OF REDESIGN OF THE TRAVEL SYSTEM NEW ORLEANS

TOTAL NFC NATIONAL FINANCE CENTER

— 01

TOTAL RELEASED NATIONWIDE

— 295

TOTAL UNDER CONTRACT

— 89



# CONTACT



## You Can Help

**Report:** Fraud, Waste or Mismanagement

- Information is Confidential
- Caller Can Remain Anonymous

**Where:** U.S. Department of Agriculture  
Office of Inspector General  
Room 247 E, Administration Building  
Washington, D.C. 20250

- Outside Washington, D.C., 800-424-9121 (Toll Free)
- Within Washington, D.C. Metropolitan Area, 472-1388