



U.S. Department of Agriculture  
Office of Inspector General  
Financial and IT Operations  
Audit Report

U.S. Department of Agriculture  
Consolidated Financial Statements  
For Fiscal Year 2000



Report No.  
50401-39-FM  
February 2001



UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF INSPECTOR GENERAL

Washington, D.C. 20250



DATE: February 26, 2001

REPLY TO

ATTN OF: 50401-39-FM

SUBJECT: U.S. Department of Agriculture  
Consolidated Financial Statements for Fiscal Year 2000

TO: Patricia E. Healy  
Acting Chief Financial Officer  
Office of the Chief Financial Officer

This report presents the results of our audit of the U.S. Department of Agriculture's financial statements for the fiscal year ended September 30, 2000. The report contains our disclaimer of opinion and the results of our assessment of the Department's internal control structure and compliance with laws and regulations.

In accordance with Departmental Regulation 1720-1, please furnish a reply within 60 days describing the corrective action taken or planned, including the timeframes, on our recommendations. Please note that the regulation requires a management decision to be reached on all findings and recommendations within a maximum of 6 months from report issuance.

We appreciate the courtesies and cooperation extended to us during the audit.

/s/

ROGER C. VIADERO  
Inspector General

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## EXECUTIVE SUMMARY

### U.S. DEPARTMENT OF AGRICULTURE CONSOLIDATED FINANCIAL STATEMENTS FOR FISCAL YEAR 2000 AUDIT REPORT NO. 50401-39-FM

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#### PURPOSE

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Our audit objectives were to determine whether (1) the financial statements present fairly, in all material respects, in accordance with generally accepted accounting principles, the assets, liabilities, and net position; net costs; changes in net position; budgetary resources; and reconciliation of net costs to budgetary obligations, (2) the internal control structure provides reasonable assurance that the internal control objectives were met, (3) the Department complied with laws and regulations for those transactions and events that could have a material effect on the financial statements, and (4) the information in the Management Discussion & Analysis (MD&A) and the Supplemental Financial Information sections was materially consistent with the information in the financial statements.

We conducted our audit at the financial offices of various U.S. Department of Agriculture (USDA) agencies and the Office of the Chief Financial Officer (OCFO) located in Washington D.C., and its National Finance Center (NFC) located in New Orleans, Louisiana. We also performed site visits to selected agencies' field offices.

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#### RESULTS IN BRIEF

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We are unable to express, and do not express, an opinion on the Department's financial statements as of and for the year ended September 30, 2000. We concluded that, overall, the Department could not provide sufficient, competent evidential matter to support numerous material line items on its financial statements, including:

- Fund Balances with U.S. Treasury totaling over \$38 billion.
- Credit Program Receivables and Related Foreclosed Property, Net and Estimated Losses on Loan and Foreign Credit Guarantees stated at over \$73.8 billion and \$1 billion, respectively, as related to the subsidy costs.

- General Property, Plant, and Equipment, Net totaling over \$5.3 billion. The Commodity Credit Corporation (CCC) and the Forest Service (FS), because of problems identified in their accounting systems, were unable to provide us auditable financial statements, within the timeframes established by the Department. CCC is a component of the Farm and Foreign Agricultural Services (FFAS) mission area and FS is a component of the Natural Resources and Environment (NRE) mission area. As a result, this information has not been audited and should not be relied upon.

Because of these and other internal control structure weaknesses, we were also unable to obtain sufficient, competent evidential matter to support the Consolidated Statements of Changes in Net Position and Financing, and the Combined Statement of Budgetary Resources.

The Department has many serious financial management system problems that impact the Department's ability to provide accurate and reliable reporting on its financial operations. For the last 9 years, the Department has reported to the President that it is unable to provide reasonable assurance that the Department's financial systems conform with certain standards and principles. This difficulty will continue until at least 2003, and possibly longer, when all USDA agencies are converted to the Foundation Financial Information System (FFIS).

In our Report on the Internal Control Structure, we reported:

- The USDA and its agencies operate at least 66 program and administrative financial management systems. The Office of the Inspector General (OIG), the General Accounting Office (GAO), and the Department have reported that USDA's financial system of records presents a high risk to the Department. The longstanding and material problems are caused, primarily, by the absence of corporate level oversight and planning when these legacy systems were initially developed and upgraded. In response to our fiscal year 1997 financial statement audit and evaluations of the FFIS<sup>4</sup>, the prior Chief Financial Officer (CFO) took action to address these problems and developed plans to review the legacy systems, and consolidate and update the systems, as appropriate, to meet present accounting standards and management needs. Since our first audit opinion on the USDA consolidated financial statements, dated September 1992, where we opined that the financial statements did not present fairly the financial position of USDA, we have noted numerous and severe problems with

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<sup>4</sup> Evaluation Report Nos. 50801-2-FM, Implementation of the Foundation Financial Information System Substantial Accomplishments But is October 1, 1997 Implementation an Attainable Goal?, and 50801-7-FM, "Effective Implementation of FFIS Will Reduce USDA's Many Financial Management System Problems," dated June 1997 and September 1999, respectively.

USDA financial management systems. With assets totaling over \$124 billion and program costs in excess of \$84 billion, actions must continue to be taken to fully resolve these problems.

- We have reported material weaknesses in the processes and procedures used by the Department's lending agencies to estimate and reestimate loan subsidy costs since 1994. Additionally, credit reform problems have been reported by GAO as a high risk area. During fiscal year 1999, the Department's CFO formed a task force to assist in resolving the Department's longstanding credit reform problems. Much progress has been made, but substantial work remains to be performed and material weaknesses continue to exist. As a result, we are unable for the seventh consecutive year to assess the reasonableness of USDA's credit program receivables and estimated losses on loan guarantees, stated at about \$73.8 billion and \$1.0 billion, respectively, as they relate to subsidy costs. As we reported last year, these problems also materially impact the Department's budget submissions. Because we can provide no assurance on USDA's credit reform financial data, the Congress and other decision makers do not know whether the costs of USDA's loan programs, estimated in excess of \$24.1 billion, as of September 30, 2000, can be relied upon. The Department plans to resolve the problem in all material aspects prior to the end of fiscal year 2001.
- We have reported since 1992 that the Office of the Chief Financial Officer/National Finance Center's (OCFO/NFC) Fund Balance with Treasury (FBWT) account had not been properly reconciled with Treasury records.<sup>5</sup> Last year we reported that the out-of-balance condition between Treasury records and the general ledger totaled about \$5 billion for the Central Accounting System (CAS) and about \$832 million for FFIS. The absolute value of the out-of-balance amount as of September 30, 2000, totaled about \$226 million for CAS and \$227 million for FFIS. While still a concern, this represents a significant improvement. This occurred because the prior CFO took actions to correct this longstanding material weakness by contracting with a public accounting firm to assess OCFO/NFC's reconciliation efforts, provide recommendations for resolving the reconciliation problem and assisting in leading the actual

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<sup>5</sup> The Fund Balance with Treasury account is an asset account representing the future economic benefit of monies that can be spent for authorized transactions. At the agency level, Federal agencies accumulate their fund balance from numerous disbursement and receipt transactions, which they record in their Standard General Ledger account 1010 and related subaccounts. For each accounting month, agencies are required to report their disbursement and receipt activities to Treasury on a Standard Form (SF) 224, "Statement of Transactions." Treasury Financial Management Service (FMS) then compares the disbursements and receipts reported by agencies on the SF 224 to the amounts reported by financial institutions, (via lockboxes) on the Online Payment and Collection System, and by the Regional Finance Centers. FMS reports differences on the FMS 6652, "Statement of Differences," and requires that Federal agencies research and resolve differences between their receipts and their Fund Balance with Treasury accounts as reported in their general ledgers and Treasury records, as reported on the FMS 6652. These reconciliations are critical internal controls, which improve the integrity of various U.S. Government financial reports and provide more accurate measurement of budget results. In addition, reconciliation and related verification of financial information ensure the integrity of the accounting system.

reconciliations. OCFO proposed a one-time adjustment for approximately \$160 million of the \$226 million difference in CAS which was approved by Treasury and the Office of Management and Budget (OMB). Treasury will process this adjustment in the near future. However, as of fiscal yearend 2000, OCFO/NFC has not been able to fully reconcile the differences between its records and Treasury's records because of inconsistent treatment of the transactions throughout the Department's feeder systems that call for complex programming logic in the reconciliation tool to meet varying data conditions/scenarios, posting model errors, the age of the unreconciled items and documentation problems.

- During this year's audit, we noted that while progress has been made in partially correcting some previously reported problems in accounting for personal property, material weaknesses continue to exist because of the lack of established internal control procedures and processes relating to personal property valued at over \$597 million.
- We also noted that improvements are still needed in Information Technology (IT) security and controls and Federal Managers' Financial Integrity Act (FMFIA) corrective actions need to be more timely.

In our Report on Compliance with Laws and Regulations, we continued to note where further actions are necessary related to improving financial management systems and reviewing user fees.

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We recommended that the CFO:

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## **KEY RECOMMENDATIONS**

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- Update the Department's plan, developed in response to our fiscal year 1997 financial statement audit, to analyze the Department's numerous legacy accounting systems for consolidation. Establish a timetable for completion of the integration of the systems and/or certification that stand alone systems comply with accounting standards;
- Analyze the problems encountered by the Department and its agencies in preparation of the consolidated and agency financial statements. Develop a comprehensive plan to remedy these longstanding problems by the end of fiscal year 2001 to assure the Department can meet governmentwide financial reporting requirements and timeframes;

- Obtain additional or redirect resources to enable OCFO to strengthen corporate level control over financial management and accounting operations in the Department;
- Assure all problems with CAS ending balances are identified and resolved prior to the end of fiscal year 2001 to assure the problems do not materially impact the fiscal year 2001 opinion on the financial statements. Require agency CFOs to report quarterly to the Department's CFO on the clean up process;
- Obtain independent resources to review and correct the longstanding problems with OCFO/NFC suspense account balances. Assure corporate oversight is maintained;
- Establish corporate level procedures to require agency CFOs to routinely analyze accounts to assure "abnormal" balances are promptly identified and researched for systemic and isolated problems and are corrected in a timely manner;
- Contract for a CPA firm to develop a process for the Department to meet SFFAS No. 4, "Managerial Cost Accounting Concepts and Standards;"
- Establish improved policies and procedures to assist departmental agencies in identifying activity for elimination in consolidation;
- Analyze each loan system within the Department to ascertain compliance with Accounting and Auditing Policy Committee (AAPC) credit reform accounting guidance which provides assistance to the Federal Government in improving financial reporting. Develop remediation plans to bring each system into compliance;
- Assure systemic analyses of liquidating loan balances are performed similar to the departmental analyses of financing activity to assure liquidating funds are appropriately accounted for;
- Complete the final resolution of CAS and FFIS FBWT reconciliations by the end of fiscal year 2001. Obtain sufficient resources to assure this problem does not impact the fiscal year 2001 financial statement audit opinion. Require monthly reporting to the CFO on the remediation process; and
- Develop a corporate level statistical sample to assist agencies in validating their personal property inventory. Assure sufficient samples are taken to enable departmentwide projection.

Hold accountable officers responsible for ensuring appropriate adjustments and recommendations are completed, based on the results.

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**AGENCY POSITION**

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The OCFO generally agreed with our Findings and Recommendations.



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## TABLE OF CONTENTS

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EXECUTIVE SUMMARY .....	i
PURPOSE .....	i
RESULTS IN BRIEF .....	i
KEY RECOMMENDATIONS .....	iv
AGENCY POSITION .....	vi
TABLE OF CONTENTS .....	vi i
REPORT OF THE OFFICE OF INSPECTOR GENERAL .....	1
REPORT OF THE OFFICE OF INSPECTOR GENERAL ON INTERNAL CONTROL STRUCTURE .....	4
FINDINGS AND RECOMMENDATIONS .....	8
I. USDA NEEDS TO IMPLEMENT FINANCIAL MANAGEMENT IMPROVEMENTS AT A CORPOPRATE LEVEL TO ASSURE SUCCESS .....	8
RECOMMENDATIONS .....	17
II. ALTHOUGH PROGRESS HAS BEEN MADE, CREDIT REFORM PROBLEMS CONTINUE TO SIGNIFICANTLY IMPACT USDA'S FINANCIAL STATEMENTS AND BUDGET SUBMISSIONS .....	19
RECOMMENDATIONS .....	21
III. ADDITIONAL CORRECTIVE ACTIONS ARE NEEDED TO FULLY RECONCILE THE DEPARTMENT'S FUND BALANCE WITH TREASURY .....	22
RECOMMENDATIONS .....	24
IV. OPERATIONAL AND SYSTEM PROBLEMS CONTINUE TO EXIST IN ACCOUNTING FOR PERSONAL PROPERTY .....	25
RECOMMENDATIONS .....	27

V. A CORPORATE-LEVEL APPROACH IS NEEDED IN THE DEVELOPMENT AND REVIEW OF INTERNAL CONTROLS IN THE DEPARTMENT’S ADMINISTRATIVE PAYMENT SYSTEMS .....	28
VI. IMPROVEMENTS STILL NEEDED IN INFORMATION TECHNOLOGY (IT) SECURITY AND CONTROLS .....	30
VII.FMFIA CORRECTIVE ACTION NEEDS TO BE MORE TIMELY AND IMPROVEMENTS ARE NEEDED WITH THE DEPARTMENT’S INTERNAL REVIEW .....	31
RECOMMENDATION .....	33
REPORT OF THE OFFICE OF INSPECTOR GENERAL ON COMPLIANCE WITH LAWS AND REGULATIONS.....	34
FINDINGS AND RECOMMENDATIONS.....	36
VIII.BIENNIAL REVIEWS OF USER FEES ARE NOT PERFORMED TIMELY .....	36
RECOMMENDATION .....	36
IX.FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT REQUIREMENTS .....	37
ABBREVIATIONS .....	39



UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF INSPECTOR GENERAL

Washington, D.C. 20250



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## REPORT OF THE OFFICE OF INSPECTOR GENERAL

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**TO:** Patricia E. Healy  
Acting Chief Financial Officer  
Office of the Chief Financial Officer

We attempted to audit the accompanying Consolidated Balance Sheet of the U.S. Department of Agriculture (USDA) as of September 30, 2000, and the related Consolidated Statements of Net Cost, Changes in Net Position and Financing, and the Combined Statement of Budgetary Resources for the fiscal year then ended. These financial statements are the responsibility of the Department's management.

We were unable to perform the audit because the Department was unable to provide financial statements in time for us to conduct the audit and still meet the Chief Financial Officers (CFO) Act mandated audit reporting timeframes. Several USDA agencies (and their respective mission areas) were unable to provide timely and accurate financial information to the Department for incorporation into the consolidated financial statements. This was primarily due to significant problems with the processes for calculating and recording financial information in their accounting systems and difficulties in converting data into new accounting systems.

However, based on the audit coverage we were able to conduct, we concluded that, overall, the Department could not provide sufficient, competent evidential matter to support numerous material line items on its financial statements. For example:

- While substantive actions have been taken to resolve the problem we have reported, since 1992, with the Office of the Chief Financial Officer/National Finance Center's (OCFO/NFC) Fund Balance with Treasury (FBWT) to Treasury reconciliations, the account had not been properly reconciled with Treasury records.<sup>6</sup> Additional actions which are currently underway need to be completed before the problem no longer materially impacts this line-item. In our report on last year's consolidated financial statements, we identified that the out-of-balance condition between Treasury records and the general ledger totaled about \$5 billion

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<sup>6</sup> See Footnote No. 5 on page iii.

for the Central Accounting System (CAS) and about \$832 million for the Foundation Financial Information System (FFIS). Our work this year showed that the absolute value of the out-of-balance amount as of September 30, 2000, totaled about \$226 million for CAS and \$227 million for FFIS. While still a concern, this represents a material reduction. This occurred because the prior CFO took actions to correct this longstanding material weakness by contracting with a public accounting firm to assess OCFO/NFC's reconciliation efforts, provide recommendations for resolving the reconciliation problem and assisting in leading the actual reconciliations. OCFO proposed a one-time adjustment for approximately \$160 million of the \$226 million difference in CAS which was approved by Treasury and the Office of Management and Budget (OMB). Treasury will process this adjustment in the near future. However, as of fiscal yearend 2000, OCFO/NFC has not been able to fully reconcile the differences between its records and Treasury's records because of inconsistent treatment of the transactions throughout the Department's feeder systems that call for complex programming logic in the reconciliation tool to meet varying data conditions/scenarios, posting model errors, the age of the unreconciled items and documentation problems.

- We were unable to obtain sufficient and competent evidential matter to support the Department's "Credit Program Receivables and Related Foreclosed Property, Net" and "Estimated Losses on Loan and Foreign Credit Guarantees" stated at over \$73.8 billion and \$1.0 billion, respectively, as of September 30, 2000, and the related financial results reported in the Net Position and Program Costs, Non-Federal sections in the Consolidated Balance Sheet and Statement of Net Cost, respectively, as they relate to loan and loan guarantee subsidy costs. The Department has developed a task force to resolve this problem in fiscal year 2001, and significant progress has been made to date, however, much work is still left to be done.
- The Commodity Credit Corporation (CCC) and the Forest Service (FS), because of problems identified in their accounting systems, were unable to provide us auditable financial statements, within the timeframes established by the Department. CCC is a component of the Farm and Foreign Agricultural Services (FFAS) mission area and FS is a component of the Natural Resources and Environment (NRE) mission area. As a result, this information has not been audited and should not be relied upon.
- We were unable to substantiate "General Property, Plant and Equipment, Net," totaling over \$5.3 billion.

- A material part of the Department's financial information system is comprised of information from OCFO/NFC's CAS and various subsidiary "feeder" systems. These systems provide subsidiary accounting information for the Department's financial statements. For the last 10 years, we have reported numerous material internal control weaknesses in these systems, which have not yet been corrected. Also, we again noted weaknesses in the areas of accounting adjustments and reconciliations at OCFO/NFC.<sup>7</sup>

Because of the extent of the problems noted above, we were not able to satisfy ourselves as to the value of USDA's assets, liabilities, and net position as of September 30, 2000; as well as its net costs, changes in net position, budgetary resources, and reconciliation of net costs to budgetary obligations for the fiscal year then ended. Therefore, we are unable to express, and we do not express, an opinion on these financial statements.

The Management Discussion and Analysis (MD&A) and Required Stewardship Supplemental Information (RSSI) provides explanatory analysis for the users of USDA's financial statements and it summarizes fiscal year 2000 results. Some of this information is produced from the same financial systems as the financial statements. Because of the problems discussed above, we are unable to provide any assurance on this information. We have also issued a report on the Department's internal control structure which includes seven reportable conditions and a report on the Department's compliance with laws and regulations which includes two instances of noncompliance.

This report is intended solely for the information of the management of USDA, Office of Management and Budget (OMB) and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

/s/  
ROGER C. VIADERO  
Inspector General

February 7, 2001

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<sup>7</sup> The financial information reported through CAS remains material for fiscal year 2000; however, the problem should be mitigated as agencies convert to FFIS.



UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF INSPECTOR GENERAL

Washington, D.C. 20250



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## REPORT OF THE OFFICE OF INSPECTOR GENERAL ON INTERNAL CONTROL STRUCTURE

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**TO:** Patricia E. Healy  
Acting Chief Financial Officer  
Office of the Chief Financial Officer

We attempted to audit the accompanying financial statements of the USDA, as of, and for the fiscal year ended September 30, 2000, and have issued our report thereon, dated February 7, 2001. In planning and performing our audit of the financial statements, we considered its internal controls over financial reporting by obtaining an understanding of the internal controls, determined whether the internal controls had been placed in operation, assessed control risk, and performed tests of controls in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 01-02. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act (FMFIA) of 1982, such as those controls relevant to ensuring efficient operations. Consequently, we do not provide an opinion on internal controls.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions. Under standards issued by the American Institute of Certified Public Accountants (AICPA), reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation that, in our judgment, could adversely affect the agency's ability to record, process, summarize, and report financial data consistent with the assertions by management in the financial statements. Material weaknesses are reportable conditions in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Because of inherent limitations in internal controls, misstatements, losses, or noncompliance may nevertheless occur and not be detected. We believe the reportable conditions described in this report are material weaknesses, except for Finding No. V.

## **MANAGEMENT'S RESPONSIBILITY FOR INTERNAL CONTROL STRUCTURE**

The management of USDA is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of the internal control structure policies and procedures. The objectives of an internal control structure are to provide management reasonable, but not absolute assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with the agency's prescribed basis of accounting. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In its "draft" fiscal year 2000 FMFIA report, the Secretary of Agriculture reported 29 material control weaknesses with its systems of management control, Section 2, "Management Accountability and Control." The Department was unable to provide assurance that its financial management systems complied with Section 4, "Financial Management Systems," because of four material deficiencies which result in a system that does not conform to certain standards, principles, and other specifications to ensure that Federal managers have relevant, consistent financial information for decision-making purposes.

Additionally, the Department submitted its fiscal year 2000 Federal Financial Management Improvement Act (FFMIA) remediation plan, which included the corrective action necessary to bring several of its component agencies into substantial compliance with FFMIA.

## **OIG'S EVALUATION OF USDA'S INTERNAL CONTROL STRUCTURE**

For the purpose of this report, we have classified USDA's significant internal control structure policies and procedures into the following categories:

Administrative Costs - consists of policies and procedures associated with disbursing funds for salaries and administrative expenses.

Treasury - consists of policies and procedures associated with disbursing and collecting cash, reconciling cash balances, and managing debt.

Financial Reporting - consists of policies and procedures associated with processing accounting entries and preparing the USDA's annual financial statements.

Direct Loans and Grants - consists of policies and procedures associated with authorizing and disbursing loans and grants, accruing interest on loans, and collecting loan repayments.

Guaranteed Loans - consists of policies and procedures associated with authorizing and disbursing payments, authorizing guarantees, and accruing interest and collecting repayments on defaulted guaranteed loans.

Insurance Premiums and Claims - consists of policies and procedures associated with processing catastrophic risk program fees and reinsured company premiums and indemnities for these insurance policies.

Property and Inventory - consists of policies and procedures associated with acquisition, maintenance and disposition of property and/or inventory.

Food Stamp Redemption - consists of the policies and procedures associated with coupons being redeemed and applied against the USDA's fund balance at the Treasury.

For each of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation. We assessed control risk and performed tests of USDA's internal control structure.

In making our risk assessment, we considered the Department's FMFIA reports, Office of the Inspector General (OIG) audits and other independent auditor reports on financial matters and internal accounting control policies and procedures. We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants (AICPA). Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to have reasonable assurance that the following objectives are met:

- (1) Reliability of financial reporting - transactions are properly recorded, processed, and summarized to permit the preparation of the Principal Statements and Required Stewardship Supplemental Information (RSSI) in accordance with generally accepted accounting principals, and assets are safeguarded against loss from unauthorized acquisition, use or disposition;



- (2) Compliance with applicable laws and regulations - transactions are executed in accordance with (a) laws governing the use of budget authority and other laws that could have a direct and material effect on the Principal Statements or RSSI, and (b) any other laws, regulations, and governmentwide policies identified by OMB in Appendix C of OMB Bulletin 01-02; and
- (3) Reliability of performance reporting – transactions and other data that support reported performance measures are properly recorded, processed, and summarized to permit the preparation of performance information in accordance with criteria stated by management.

We did not receive the RSSI in time to obtain an understanding of the internal controls, determine whether these internal controls had been placed in operation, assess control risk, and perform tests of controls as required by OMB Bulletin 01-02. Accordingly, we do not provide any assurance and/or opinion on such controls.

Additionally, with respects to internal controls related to performance measures reported in the MD&A, we were unable to obtain an understanding of the internal controls designed to ensure that data supporting the measures are properly recorded and accounted for to permit the preparation of reliable and complete performance information because the information was not submitted timely. Our audit work in the area of performance measures was primarily limited to confirming the financial information included in the MD&A was consistent with information contained in the Principal Financial Statements. However, we noted that the Department could more effectively monitor agencies' implementation of the Government Performance and Results Act (GPRA) of 1993. Prior audits<sup>8</sup> noted that the FS' fiscal year 1999 Annual Performance Report is based on flawed data and assumptions to the extent that the report does not provide reliable information about actual performance or the agency's progress in meeting its goals and objectives. The MD&A section of Rural Development's fiscal year 2000 financial statements generally did not contain meaningful performance indicators which measured progress toward meeting its performance goals.

Matters that we consider to be reportable conditions are presented in the "Findings and Recommendations" section of this report.

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<sup>8</sup> Audit Report Nos. 08001-1-HQ, "Audit of the Implementation of the Government Performance and Results Act in the Forest Service," and 50601-2-CH "Implementation of the Government Performance and Results Act in Rural Development."

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## FINDINGS AND RECOMMENDATIONS

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<b>I. USDA NEEDS TO IMPLEMENT FINANCIAL MANAGEMENT IMPROVEMENTS AT A CORPORATE LEVEL TO ASSURE SUCCESS</b>
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**FINDING NO. 1**

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The USDA and its agencies operate at least 66 program and administrative financial management systems. The OIG, GAO, and the Department itself, have reported that USDA's

financial system of records presents a high risk to the Department. The longstanding and material problems are caused, primarily, by the absence of corporate level oversight and planning when these legacy systems were initially developed and upgraded. In response to our fiscal year 1997 financial statement audit and evaluations of the FFIS<sup>9</sup>, the prior CFO took action to address these problems and developed plans to review the legacy systems, and consolidate and update the systems, as appropriate, to meet present accounting standards and management needs. Since our first audit opinion on the USDA consolidated financial statements, dated September 1992, where we opined that the financial statements did not present fairly the financial position of USDA, we have noted numerous and severe problems with USDA financial management systems. With assets totaling over \$124 billion and program costs in excess of \$84 billion, actions must continue to be taken to fully resolve these problems.

In our Audit Report No. 50401-24-FM, "Audit of USDA Consolidated Financial Statements For Fiscal Year 1997," dated July 1998, we recommended that the CFO: (1) Reassess its "vision" to assure that it addresses all agency financial management systems within USDA in order to lead to a single integrated system; (2) establish a plan to reduce and consolidate systems; and (3) suspend agency initiatives/renovations of systems until OCFO determines that the development meets the integrated financial management plan of the Department. The OCFO stated that it agreed with the problems noted in our report and would develop a plan to integrate the Department's financial management systems. The CFO has many actions underway to address this material problem. These actions include:

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<sup>9</sup> See Footnote No. 4 on page ii.

- Planned full implementation of FFIS by October 1, 2002. Full and effective implementation of the FFIS accounting system and necessary operational changes should correct the material internal control problems we have identified with CAS.
- Completed an initial study of selected OCFO/NFC feeder systems to identify candidates for consolidation and/or update<sup>10</sup>. This study noted that for the eight OCFO/NFC feeder systems analyzed, five could be eliminated if FFIS functionality was used. The OCFO is working with the business process owners to address the problems with the legacy feeder systems, with the objective to provide an improved integration of the financial management architecture in the Department. Reviews of the initial feeder transition plan to integrate these automated systems directly into FFIS indicated that, until the new corporate systems are fielded, efforts to integrate the functionality would result in a series of highly manual processes. The OCFO is continuing to pursue the integration of the feeders into the corporate procurement or other corporate systems.
- Converted Farm Service Agency/Commodity Credit Corporation's (FSA/CCC) primary accounting system to a JFMIP compliant system.
- Addressed and corrected several material credit reform accounting problems and actions are underway in all remaining areas (see Finding 2). The Department anticipates completion of its remediation plan relating to credit reform by fiscal year 2002.

However, despite these significant actions, material problems continue to exist within the Department. These problems contribute significantly to its inability to prepare its financial statements in accordance with accounting standards and by legislatively mandated timeframes. As noted in the following chart we have disclaimed an opinion on the Department's financial statements since fiscal year 1994 audit. We have attributed the causes for these opinions, primarily, to the lack of an integrated financial management system within the Department.

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<sup>10</sup> Logistics Management Institute, "Integration Plan for Selected FFIS Feeder Systems," Report AG102S5.

## TIMELINESS OF USDA FINANCIAL STATEMENTS

<b>Fiscal Year</b>	<b>Opinion and Date of Audit Report</b>
1994	Disclaimer – August 1995,
1995	Disclaimer – September 1996,
1996	Disclaimer – August 1997, <sup>11</sup>
1997	Disclaimer – July 1998, <sup>12</sup>
1998	Disclaimer – February 1999,
1999	Disclaimer – February 2000, <sup>13</sup>
2000	Disclaimer – February 2001, <sup>14</sup>

We believe that the timeliness problems noted above are attributed to the need to further consolidate accounting systems and operations, as we recommended in our fiscal year 1997 financial statement audit report and have discussed in numerous reports in subsequent years. For example, the FSA/CCC agency has three distinct accounting operations to support its financial management systems: (1) Domestic related operations in Kansas City, MO; (2) foreign operations in Washington, DC; and (3) farm program operations in St. Louis, MO. These three operations use two different primary accounting systems and numerous subsidiary systems. These multiple operations cause duplicate staffing and system resource problems.

We attempted to quantify the number and operational costs for the 66 financial management systems in the Department, but the Department does not have a cost accounting system or other records to enable us to obtain this information. Therefore, we were unable to obtain and analyze the costs associated with these systems.

Problems that continue to impact the Department's accounting systems follow:

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<sup>11</sup> The Forest Service was unable to provide complete auditable financial statements in a timely manner for fiscal year 1996. The Forest Service report was issued in January 1997 without financial statements.

<sup>12</sup> Financial information relating to the Alternative Agricultural Research and Commercialization Corporation (AARCC) and the Department's Working Capital Fund (WCF) had not been audited because the entities had not provided auditable financial statements as of the date of USDA's report. The AARCC report was issued January 1999, with a disclaimer of opinion. No fiscal year 1997 report was issued for WCF.

<sup>13</sup> Financial information relating to the CCC had not been audited because the Corporation had not provided complete auditable financial statements as of the date of the USDA report. CCC's report was issued in July, 2000, with a qualified opinion.

<sup>14</sup> Financial information relating to CCC and Forest Service had not been audited because the entities had not provided complete auditable financial statements as of the date of this report.

- During fiscal year 2000, the Department undertook a major initiative to improve its financial reporting processes. It contracted to develop and implement a state-of-the-art financial statement data warehouse (FSDW), entitled “CFO Vision.” However, the FSDW was implemented on an aggressive schedule and unfamiliarity with the process associated with the financial statement preparation, created issues related to the timeliness of data submission for the consolidated financial statements. We noted instances where agencies did not enter data into their general ledger in a timely manner, a requirement to update the FSDW. Therefore, the Department was required to fall back to a manual process to prepare the financial statements. When the process, procedures and timeliness issues are resolved, this should improve the consolidation process.
- Because of continuing accounting operational and system implementation problems, CCC and FS were unable to complete their financial statements by the Department established timeframe of November 24, 2000. Both agencies delivered their statements over 2 months late, and the statements were not complete when provided.
- Elimination entries and adjustments have caused problems. This problem was first reported as part of our fiscal year 1991 financial statement audit. The Department was to design a system to identify and automate the process. It was subsequently determined that this is a Governmentwide issue and it would not be appropriate for the Department to develop its own proprietary system. However, we believe it would be feasible to establish improved policies and procedures and encourage agency CFOs to dedicate resources to resolve this longstanding problem. We found that for fiscal year 2000 the data provided was unreliable and significant adjustments were necessary, and in other instances elimination entry data was missing. We noted where adjustments/revisions continued as late as February 7, 2001.
- The “Net Position–Beginning Balance” on the fiscal year 2000 Statement of Changes in Net Position did not agree with the “Net Position–Ending Balance” reported on the fiscal year 1999 statement. Additionally, the “Obligated Balance, Net–Beginning of Period” on the fiscal year 2000 Statement of Budgetary Resources did not agree with amount reported as the ending balance on last year’s statement. These line items should equal or reconcile. We were not provided explanations for the material differences.

- Data integrity problems with ending CAS balances continue to impact current FFIS financial statements. For example:
  - As part of validating and reconciling ending balances to arrive at valid FFIS beginning balances, the four agencies converting to FFIS as of October 1, 2000, validated supporting records to ending data with the help of contractor provided by the OCFO. Because of uncontrollable delays in completing its testing, the resulting report was not available for us to review as a part of our financial statement audit. However, preliminary findings indicate many of the problems noted by the contractor have been reported by us as far back as our audit of the fiscal year 1991 financial statement.
  - Material dollar amounts contained in CAS have been identified as potentially invalid by some agencies. For example, we noted where one agency converted its financial operations to the FFIS effective October 1, 1999. Prior to conversion, the agency performed a massive review to identify activity recorded in CAS that was not supported. This activity was converted to FFIS using “alternate” fund codes. During fiscal year 2000, the agency planned to research this activity and either transfer supported amounts to the correct fund code or adjust erroneous balances, as appropriate. As of September 30, 2000, about \$874 million in unsupported prior year activity (absolute value) remained in these alternate fund codes, and was reported in the agency’s financial statements. As additional agencies convert to FFIS, it is imperative that they clean up the data converted to the alternate fund codes, in a timely manner.
- The Department’s systems have not been designed to enable them to provide sufficient and relevant data to the Department to meet Statement of Federal Financial Accounting Standards (SFFAS) No. 4, “Managerial Cost Accounting Concepts and Standards,” effective September 30, 1996. This statement is aimed at providing reliable and timely information on the full cost of Federal programs, activities, and outputs. This information can be used by Congress and Federal executives in making decisions about allocating resources, authorizing and modifying programs, evaluating program performance, and making managerial decisions to improve economy and efficiency. USDA is unable to provide reliable and timely cost information. Because corrective actions on other high priority problems, (e.g., establishing a corporate general ledger) plans have not been developed to address this problem.

- The Rural Utility Service (RUS), a component of the Rural Development mission area, accounting system does not provide sufficient competent data and has been identified as a high risk by Rural Development officials. The GAO reported that RUS has significant problems with its electricity loan portfolio and improvements could be made to the reporting of its financially stressed loans.<sup>15</sup> In September 2000, GAO reported that the Department had incurred several billion dollars in loan losses and continues to experience problems with its financially troubled generation and transmission borrowers. We noted that Rural Development had implemented some of GAO's recommendations during fiscal year 2000. For example, program managers coordinated with accountants about estimated cash flows for the financially stressed loans which resulted in verification that the estimates could be traced to supporting documentation. However, Rural Development did not agree with, nor implement, the recommendation to document procedures used to determine when a borrower should be added or deleted from the list of financially troubled borrowers. The failure to develop and document the criteria for identifying troubled borrowers lessens the likelihood that all such borrowers are appropriately addressed in determining loan allowances for uncollectible amounts. The RUS system is not planned to be updated until the end of fiscal year 2003.
- We again noted in this audit that OCFO/NFC's has significant problems with the recording and reconciling of suspense activity. The OCFO/NFC does not have proper procedures to reconcile these accounts timely, nor identified actions to be taken when amounts do not clear properly. For one suspense account we tested, we noted the following material weaknesses:

We noted that OCFO/NFC uses Treasury symbol 12F3875, "SIBAC Chargeback GSA," without specific procedures for reconciling transactions posted to this Treasury symbol or ensuring that the transactions clear from the account<sup>16</sup>. Until suspense account transactions are posted to the proper appropriation account within the Department, there is the potential for incorrect accounting records which could lead to Anti-deficiency violations and other problems. Moreover, the reported balance in suspense accounts represent the netting of collections and disbursements, thus understating the magnitude of the unrecorded amounts in suspense accounts. Based

<sup>15</sup> GAO/AIMD-00-288: "Impact of RUS' Electricity Loan Restructurings."

<sup>16</sup> Treasury budget clearing accounts are to be used as temporary holding accounts pending clearance to the applicable receipt or expenditure account in the budget. According to Treasury yearend closing procedures, budget clearing accounts along with Statements of Differences should be reconciled by the end of the fiscal year. In order to ensure that transactions are properly reconciled and cleared, transaction level detail must be maintained.

on our analysis of general ledger detail activity of related transactions for the 9 month period from January to September 2000, the net unreconciled and/or uncleared differences for Treasury symbol 12F3875, was \$(145) million with an absolute value of almost \$1 billion. The carry over differences in this account are not all current activity and some of the activity goes back prior to fiscal year 1998. In addition, the ledger only maintains the details of the transactions for 1 month. At month-end close, all current activity is rolled up with the prior months activity and summarized into lump sum "carry forward" balance. Therefore, the data loses its identity.

We first reported this problem in fiscal year 1992<sup>17</sup> when we identified that NFC did not have an adequate audit trail for general ledger suspense account entries, and had not reconciled prior period balances for some accounts for extended periods. We noted that prior year balances totaling about \$127.5 million of approximately \$311 million reviewed had not cleared the accounts through normal processing routines and had not been researched and corrected. The audit further noted that activity in the carry forward balance originated as far back as September 1985.

This problem could materially impact the financial statements because the activity has not been recorded in the appropriate agencies' accounts. After our current inquiries, the OCFO/NFC agreed to reconcile the balances within these suspense accounts and has assigned a person to head up a task force to review existing suspense activity; recommend modifications to processes, where appropriate; and develop reconciliation and control procedures for transactions recorded to suspense Treasury symbols.

- As we have reported since fiscal year 1991, OCFO/NFC continues to have problems being able to reconcile its subsidiary records to its general ledger. For example, large, unidentified differences are carried for extended periods and the reliability of departmental reports is questionable.

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<sup>17</sup> Audit Report No. 11099-27-FM, "Audit of Controls Over General Ledger Adjustments and Suspense Account Activity," dated March 1992.



- Abnormal balances, as we have reported since 1991, continue to be reported in the financial statements without research and analysis to identify the potential problems with these accounts. For example, our ongoing audit of CCC's fiscal year 2000 financial statements disclosed that, as of February 1, 2001, there were 33 accounts with abnormal balances totaling about \$582 million (absolute value). For CAS agencies, tests of a sample of accounts identified four accounts with abnormal balances totaling about \$208 million. The OCFO/NFC did not provide an explanation for these balances. These abnormal balances can distort the consolidated amounts.
- As we reported since fiscal year 1991, we continue to identify out-of-balance conditions in the ledger for certain Treasury symbols. Each Treasury symbol contains its own trial balance where debits should equal credits. The accounting system should have internal controls that preclude out-of-balance conditions from occurring.
- We continue to note that there are numerous methods of making accounting adjustments to the CAS general ledger and related subsidiary records. We continue to find inadequate controls to assure that the adjustments affected the proper accounts, were properly researched, were authorized, adequately documented and processed accurately.

These conditions hinder the ability to make informed decisions when the need for such information is a crucial factor in the management of a Department with \$124 billion in assets and program costs in excess of \$84 billion. We believe the Department must aggressively move forward in developing plans to integrate its program and administrative financial management. The fundamental problem is that USDA financial systems cannot dependably and routinely produce annual financial statements and other information needed to manage day-to-day operations.

The Chief Financial Officers Act of 1990 requires agencies to develop and maintain an integrated agency accounting and financial management system, including financial reporting and internal control which:

- Complies with applicable accounting principles, standards, and requirements, and internal control standards:
- complies with policies and requirements prescribed by OMB, and

- provides for complete, reliable, consistent, and timely information which is uniform and responsive to management's needs.

Achieving the reforms required by financial management legislation is essential because the Department needs accurate financial information and appropriate internal controls to effectively manage the Department's vast resources. Until FFIS is successfully implemented, and planned enhancements to other agencies' financial management systems are completed, the Department will not have all of the necessary financial information to support its decision-making process. Our continued disclaimer of opinion means that no one knows whether the Department, as a whole, correctly reported the monies collected in total, how much money is collected, the full cost of its operations, or many other meaningful measures of financial performance. In essence, poor accounting and financial reporting, obscures facts. As a result, users of information reported or taken from the underlying accounting systems, as a whole, risk making errant decisions, whether for budget purposes or operationally.

The Department, in response to our audits, has taken several actions towards achieving accountability. The Department has recognized the need to improve its financial systems. In a memorandum, dated November 24, 1999, the prior Secretary directed the prior CFO, in association with the CIO and the Assistant Secretary for Administration to lead a Senior Executives group charged with developing a corporate strategy, including budget and timeframes, for administrative/financial system changes for the Department. The strategy is to include procurement, property, human resources, travel, budget formulation, salary projections and the associated telecommunications and security.

The OCFO recently began to reorganize. The OCFO indicated that the reorganization will allow it to provide USDA's programs more timely and accurate financial information and ensure that the necessary financial management systems and processes are in place to effectively control the proper expenditure of funds.

We believe these actions should begin to resolve the problems identified in our reports, when fully implemented. However, additional work is needed to ensure that ultimately the Department has an integrated corporate financial management system. We believe that the Department must sustain top management's commitment and have additional resources devoted to addressing its financial management deficiencies. In addition, USDA must

fundamentally improve its underlying internal controls, financial management systems, and operations that provide the capability for routine production of accurate, relevant, and timely data.

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## RECOMMENDATION NO. 1

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Update the Department's plan, developed in response to our fiscal year 1997 financial statement audit, to analyze the Department's numerous legacy accounting systems for consolidation. Establish a timetable for completion of the integration of the systems and/or certification that stand alone systems comply with accounting standards.

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## RECOMMENDATION NO. 2

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Analyze the problems encountered by the Department and its agencies in preparation of the consolidated and agency financial statements. Develop a comprehensive plan to remedy these longstanding problems by the end of fiscal year 2001 to assure the Department can meet governmentwide financial reporting requirements and timeframes.

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## RECOMMENDATION NO. 3

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Obtain additional or redirect resources to enable OCFO to strengthen corporate level control over financial management and accounting operations in the Department.

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## RECOMMENDATION NO. 4

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Assure all problems with CAS ending balances are identified and resolved, prior to the end of fiscal year 2001 to assure the problems do not materially impact the fiscal year 2001 opinion on the financial statements. Require agency CFOs' to report quarterly to the Department's CFO on the clean up process.

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## RECOMMENDATION NO. 5

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Require agencies to resolve potentially unsupported material amounts brought into FFIS by the end of fiscal year 2001.

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## RECOMMENDATION NO. 6

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Obtain independent resources to review and correct the longstanding problems with OCFO/NFC suspense account balances. Assure corporate oversight is maintained.

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## RECOMMENDATION NO. 7

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Establish corporate level procedures to require agency CFOs' to routinely analyze accounts to assure "abnormal" balances are promptly identified and researched for systemic and isolated problems and are corrected in a timely manner.

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## RECOMMENDATION NO. 8

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Contract for a Certified Public Account (CPA) firm to develop a process for the Department to meet SSFAS No. 4, "Managerial Cost Accounting Concepts and Standards."

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## RECOMMENDATION NO. 9

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Establish improved policies and procedures to assist departmental agencies in identifying activity for elimination in consolidation.

## **II. ALTHOUGH PROGRESS HAS BEEN MADE, CREDIT REFORM PROBLEMS CONTINUE TO SIGNIFICANTLY IMPACT USDA'S FINANCIAL STATEMENTS AND BUDGET SUBMISSIONS**

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### **FINDING NO. 2**

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We have reported material weaknesses in the processes and procedures used by the Department's lending agencies to estimate and reestimate loan subsidy costs since 1994.

Additionally, credit reform problems have been reported by GAO as a high risk area. During fiscal year 1999, the Department's CFO formed a task force to assist in resolving the Department's longstanding credit reform problems. Much progress has been made, but substantial work remains to be performed and material weaknesses continue to exist. As a result, we are unable for the seventh consecutive year to assess the reasonableness of USDA's credit program receivables and estimated losses on loan guarantees, stated at about \$73.8 billion and \$1.0 billion, respectively, as they relate to subsidy costs. As we reported last year, these problems also materially impact the Department's budget submissions. Because we can provide no assurance on USDA's credit reform financial data, the Congress and other decision makers do not know whether the costs of USDA's loan programs, estimated in excess of \$24.1 billion, as of September 30, 2000, can be relied upon. The Department plans to resolve the problem in all material aspects prior to the end of fiscal year 2001.

Effective for fiscal year 1992, the Federal Credit Reform Act of 1990 required the President's Budget to reflect the "costs" of direct loan and guarantee programs. "Costs" are defined by this Act to mean the estimated long-term cost (default, subsidy cost, etc.) to the Government of direct loans or loan guarantees, calculated on a net present value basis, excluding administrative costs and incidental effects of receipts and outlays. The primary intent was to ensure that the subsidy costs of Federal loan programs are taken into account in making budgetary decisions.

As noted above, the Department established a task force to assist in resolving the Department's credit reform problem. This CFO-led group has been the prime factor in both the resolution of those credit reform issues addressed to date and the opportunity to resolve this problem in the near future. The task force includes representatives from Rural Development, FSA, CCC, OCFO, OIG, and GAO. The Department initially developed a plan to enable it to resolve the credit reform issues by September 30, 2000. Although progress was made by USDA during fiscal years 1999 and 2000, the completion date was moved to September 30, 2001, because the problems were too significant to enable resolution within the original timeframes. Key task force accomplishments include:

- Two new cash flow models were developed and reviewed for Rural Development's non-housing direct loans and guaranteed loans. Because of remediation actions taken to strengthen the cash flows, its models and supporting documentation, OIG was able to validate the propriety of Rural Development's liability for estimated losses on loan guarantees of about \$595 million. As a result of our tests, we were able to remove our qualification on this line item in our audit of Rural Development's financial statements.
- The FSA's direct loan cash flow model was significantly modified, and a new guaranteed cash model was developed. We have validated the key cash flow data elements used in FSA direct loan cash flow model. We provided the Department with the results of our review which showed significant problems.
- The CCC contracted for a review of its cash flow models and to ensure that its accounting processes for its foreign credit programs were consistent with established guidance. Three new cash flow models were developed for CCC that better automates the processes used for direct and guaranteed loans.

Despite the actions already taken by the Department, significant issues remain which require resolution. These include the following:

- The Department needs to establish a methodology for performing timely reestimates for all of its credit reform programs for budgetary and financial statement reporting proposal.
- Development of cash flows for its second largest loan program and development of documentation to support to the program's resulting cash flows.
- The implementation of a new accounting standard relating to credit reform, SFFAS No. 18 which requires additional disclosure.
- The accounting treatment of loans made prior to 1992 must be reviewed using the same systematic process as loans made after 1992. Also, the Department has not implemented a process as required by Federal Accounting Standards Advisory Board (FASAB) accounting standards to adjust its estimated loan loss allowances in consideration of future and forecasted economic events, and fully comply with the technical guidance issued by the Accounting and Auditing Policy Committee (AAPC).

- Due to the large dollar value of individual electric loans, the collectibility of financially stressed electric loans is assessed individually when estimating losses for this program. The GAO reported in September 2000,<sup>18</sup> that improvements need to be made to improve the reporting of financially stressed loans.

In summary, the Department has made significant strides in resolving longstanding credit reform problems. If actions planned are taken in an efficient and effective manner, we believe this problem, which impacts both the departmental and Governmentwide financial statements can be corrected.

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## RECOMMENDATION NO. 10

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Analyze each loan system within the Department to ascertain compliance with AAPC guidance which provides assistance to the Federal Government in improving financial reporting. Develop remediation plans to bring each system into compliance.

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## RECOMMENDATION NO. 11

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Assure systemic analyses of liquidating loan balances are performed similar to the departmental analyses of financing activity to assure liquidating funds are appropriately accounted for.

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<sup>18</sup> GAO/AIMD-00-288: "Impact of RUS' Electricity Loan Restructurings."

### III. ADDITIONAL CORRECTIVE ACTIONS ARE NEEDED TO FULLY RECONCILE THE DEPARTMENT'S FUND BALANCE WITH TREASURY

#### FINDING NO. 3

We have reported since 1992 that the OCFO/NFC's Fund Balance with Treasury (FBWT) account had not been properly reconciled with Treasury records.<sup>19</sup> Last year we reported that the out-of-balance condition

between Treasury records and the general ledger totaled about \$5 billion for CAS and about \$832 million for FFIS. The absolute value of the out-of-balance amount as of September 30, 2000, totaled about \$226 million for CAS and \$227 million for FFIS. While still a concern, this represents a significant improvement. This occurred because the prior CFO took actions to correct this longstanding material weakness by contracting with a public accounting firm to assess OCFO/NFC's reconciliation efforts, provide recommendations for resolving the reconciliation problem and assisting in leading the actual reconciliations. OCFO proposed a one-time adjustment for approximately \$160 million of the \$226 million difference in CAS which was approved by Treasury and the Office of Management and Budget (OMB). Treasury will process this adjustment in the near future. However, as of fiscal yearend 2000, OCFO/NFC has not been able to fully reconcile the differences between its records and Treasury's records because of inconsistent treatment of the transactions throughout the Department's feeder systems that call for complex programming logic in the reconciliation tool to meet varying data conditions/scenarios, posting model errors, the age of the unreconciled items and documentation problems.

#### CAS

The reconciliation project determined that Treasury records were generally more accurate than the CAS general ledger balances. Therefore, the Department, OMB, and Treasury approved a one-time summary adjustment to adjust the Department's unreconciled balances totaling about \$160 million in net unrecorded disbursements for fiscal years 1999 and prior in CAS to zero through offsetting entries against closed appropriations. This was affected by restoring lapsed fiscal year 1993, 1994, and 1995 administrative appropriations for selected USDA agencies.

<sup>19</sup> See Footnote No. 5 on page iii.



During our audit, we noted where OCFO/NFC has not yet been able to reconcile the FBWT for CAS activity. The goal, effective May 1999, was to have each month's cash activity analyzed, reconciled and corrected within a 120-day period following the receipt of the Statement of Differences from Treasury (generally around the 25<sup>th</sup> of the following month). However, OCFO/NFC has not been able to meet the 120-day day goal. OCFO/NFC indicated that it applied its resources to resolving historical problems (April 1999 and earlier) and as a result was unable to reconcile the remaining fiscal year 1999 Statement of Differences as well as all of the fiscal year 2000 reports. It is in the process of obtaining a contractor to assist with the reconciliations.

## **FFIS**

In addition to the problems we have reported for the last 10 years with the legacy CAS FBWT reconciliations, we noted in our Evaluation Report No. 50801-7-FM, "Effective Implementation of FFIS Will Reduce USDA's Many Financial Management System Problems," dated September 1999, that the CAS problem has impacted the new FFIS and that significant differences totaling \$665 million existed between Treasury and the Department's FFIS FBWT.

We continue to note similar problems for fiscal year 2000 with FFIS operations. For example we noted that the FFIS general ledger contains erroneous information that causes discrepancies with Treasury records. For the four agencies using FFIS for fiscal year 2000, we noted an out-of-balance condition between FFIS and Treasury totaling over \$227 million (absolute value) that had not been reconciled as of fiscal yearend. This was caused by (1) poor internal controls which allowed erroneous and/or incomplete data into the FFIS general ledger and (2) posting model problems.

While the FFIS Project Office reported that the posting models were corrected as of August 2000, we noted that as of September 2000 that the payroll tax withholding posting model was still erroneously posting to an Standard Form 224, "Statement of Transactions," collection cash account and a Travel System posting model problem remained uncorrected. In addition, the errors caused by the corrected posting models had not been corrected in the system.

The application program used to assist in reconciling records to Treasury was developed by one individual as an aid in performing assigned reconciliations. The application was not intended to be a production application. As a result, the differences reported are distorted and the tool

could not be relied upon to provide accurate data for reconciling differences on the FMS 6652"Statement of Differences." For example, we noted that some journal amounts had been doubled or quadrupled compared to the amounts reported on the SF 224, "Statement of Transactions." Reconciliations, using a new tool, will be performed as of September 30, 2000.

The Department is continuing to work towards resolving these problems.

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## RECOMMENDATION NO. 12

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Complete the final resolution of CAS and FFIS FBWT reconciliations by the end of fiscal year 2001. Obtain sufficient resources to assure this problem does not impact the fiscal year 2001 financial statement audit opinion. Require monthly reporting to the CFO on the remediation process.

## **IV. OPERATIONAL AND SYSTEM PROBLEMS CONTINUE TO EXIST IN ACCOUNTING FOR PERSONAL PROPERTY**

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### **FINDING NO. 4**

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In our fiscal year 1999 audit report, we reported that material internal control problems existed in the accountability and valuation of personal property at agency field office and headquarter operations, and at the OCFO/NFC. During this years' audit, we noted that while progress has been made in partially correcting some previously reported problems, material weaknesses continue to exist because of the lack of established internal control procedures and processes relating to personal property valued at over \$597 million.

The OCFO/NFC maintains the Personal Property Management System (PROP) which is used to record personal property information and track capitalized and non-capitalized personal property, depreciation, etc. We reviewed the internal control procedures and processes in the PROP system and personal property controls at various agencies' field and headquarter offices. We found the following material internal control weaknesses:

- Agricultural Property Management Regulation AG 5109 Part 104-51.106, dated January 1997, requires that physical inventories of all accountable personal and real property, except land, shall be taken by each agency every 2 years. In our fiscal year 1999 audit report, we reported that about 60 percent of USDA accountable officers were either delinquent in performing physical inventories or had never recorded that an inventory had been performed. During this years' audit, NFC reported that the number of delinquent or unrecorded physical inventories decreased from 62 percent as of December 7, 1999, to 7 percent at the end of fiscal year 2000. However, as a result of property testing conducted by OIG for 3 agencies, we question the reliability of the OCFO/NFC reports. For a judgmental sample of 358 personal property items reviewed at selected sites, we found that accountable officers were unable to locate almost half of the personal property that was shown in the PROP inventory as of September 30, 2000. We also noted, at the sites visited, a lack of evidence documenting the performance of physical inventories in many instances.

- USDA's policy is to capitalize property with a useful life of 2 or more years and an acquisition value of \$5,000 or more. Our review of information in the PROP system disclosed continued inconsistent application of this policy. We continue to find that large numbers of personal property items valued at less than \$5,000 were being depreciated and numerous other items valued at more than \$5,000 were not being depreciated. For one agency, we found that more than 12 percent of personal property assets were misclassified. These errors continue to adversely impact the reliability of the assets and expenses recorded in the financial statements related to personal property.
- In our fiscal year 1999 audit report, we reported that several personal property items had been erroneously overvalued when recorded into the PROP system due to keypunch errors made by agency personnel. Some of these errors resulted in overvaluations in excess of \$1 million. Additionally, we reported that even though these items had appeared on an OCFO/NFC PROP exception report, necessary corrective action had not been taken. During this years' audit, we found that OCFO/NFC was following up on items appearing on the exception report and the overvaluations had been corrected within a few months. However, we continued to note overvalued personal property items recorded in PROP for items valued at under \$1 million. Errors in the recording of acquisition values of personal property items also negatively impact the reliability of assets and expenses recorded in the financial statements.
- In addition, because of problems in yearend closing procedures, the general ledger balances were doubled for the FFIS agencies. This resulted in an overstatement of property balances in excess of \$100 million, that was subsequently corrected.

While improvements were noted in some areas, the overall management and accounting for personal property by the Department continues to have serious internal control problems. The weaknesses noted above make the system highly susceptible to error and calls into question the support for almost \$600 million in personal property.

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### RECOMMENDATION NO. 13

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Develop a corporate level statistical sample to assist agencies in validating their personal property inventory. Assure sufficient samples are taken to enable departmentwide projection. Hold accountable officers responsible for ensuring appropriate adjustment and recommendations are completed based on the results.

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### RECOMMENDATION NO. 14

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Assist in the performance of a market survey to identify potential replacements of the PROP system. Assure that any new system meets Joint Financial Management Improvement Program (JFMIP) standards.

## V. A CORPORATE-LEVEL APPROACH IS NEEDED IN THE DEVELOPMENT AND REVIEW OF INTERNAL CONTROLS IN THE DEPARTMENT'S ADMINISTRATIVE PAYMENT SYSTEMS

### FINDING NO. 5

We noted an absence of a “corporate-level” approach for either developing or reviewing the internal control structure for departmental administrative payment systems. We attributed

this problem to the absence of sufficient CFO guidance on internal control development and review processes. As a result, the Department’s administrative payment systems, which annually disburse over \$34 billion in salary and other payments, are unnecessarily vulnerable to fraud, waste and abuse.

As early as 1987, a Governmentwide group of Federal executives and Inspectors General<sup>20</sup> expressed concern about the “disturbing frequency” that computer systems had become vulnerable to fraud, waste and abuse. To try to prevent these problems from recurring, the group issued the “Model Framework for Management Control Over Automated Information Systems,” dated January 1988. This document was to provide managers with a “road map” for reviewing and developing integrated controls within automated systems. The Committee of Sponsoring Organizations of the Treadway Commission<sup>21</sup> recommended sponsoring a project to provide practical, broadly accepted criteria for establishing internal control and evaluating its effectiveness. As a result of this study, in September 1992, the “Internal Control-Integrated Framework” was issued. The “framework” provides a comprehensive basis for developing and assessing internal controls in any organization. In November 1999, the GAO updated its “Standards for Internal Control in the Federal Government<sup>22</sup>.” The GAO notes in this revision that “rapid advances in information technology have highlighted the need for updated internal control guidance related to modern computer systems.”

<sup>20</sup> The President’s Council of Integrity and Efficiency and the President’s Council on Management Improvements.

<sup>21</sup> The National Commission on Fraudulent Financial Reporting – A joint sponsorship of the AICPA, American Accounting Association, Financial Executives Institute, Institute of Internal Auditors, and the Institute of Management Accountants.

<sup>22</sup> The FMFIA requires GAO to issue standards for internal controls in Government. OMB Circular A-123 provides specific requirements for assessing and reporting on controls. Recently, other laws have renewed focus on internal controls, such as the Government Performance and Results Act of 1993, the CFO Act of 1990, and the FFMIA of 1996.

Departmental Regulation (DR) 1110-2, dated February 23, 1999, provides guidance to the agencies to improve the accountability and effectiveness of USDA programs. As noted in a previous audit,<sup>23</sup> the DR provides broad statements of responsibilities and defines various key terms to accomplish improved accountability. However, it provides no specific guidance to the agencies on how they should design a system of internal controls, requirements (objectives) they must adhere to in this design, nor specific processes that need to be followed in the evaluation of internal controls. The report also noted that neither the OCFO nor DA had internal agencywide guidance to implement DR 1110-2. For example:

- Prior OIG and GAO audits have noted material control weaknesses that program managers had consistently failed to identify during their reviews. For example, we and the GAO previously reported<sup>24</sup> extensive and serious access control weaknesses that affected OCFO/NFC's ability to prevent and/or detect changes to payroll and other payment data, or computer software. The GAO concluded that these weaknesses increased the risk that users could cause improper payments; and sensitive information, including financial transaction data and personnel information, was vulnerable to misuse. Neither the OCFO nor the DA reported this problem prior to GAO's and OIG's audit reports.

In our Audit Report No. 50600-13-FM, "Fiscal Year 1993 USDA Financial Statements," dated August 8, 1994, we first reported that most USDA agencies had not documented their internal control objectives and techniques in an integrated framework to ensure that management's overall goals were achieved consistently and uniformly. Given the size and complexity of USDA's operations, assets of \$124 billion and program costs of over \$84 billion, documented controls would assist in providing departmental officials with additional assurances concerning the effectiveness and efficiency of operations, reliability of financial systems, and compliance with laws and regulations. Internal control objectives provide a means by which an agency can evaluate the effectiveness of control techniques to prevent, detect, and correct errors within their environment, while considering the costs and benefits of controls when compared to the risk of errors. Because of corrective actions underway, we are making no further recommendations in this audit.

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<sup>23</sup> Audit Report No. 50099-19-FM, "Review of Controls Over USDA Administrative Payment Systems," dated January 2, 2001.

<sup>24</sup> (GAO Audit Report No. GAO/AIMD-99-227, "Weaknesses at National Finance Center Increase Risk of Fraud, Misuse, and Improper Disclosure," dated July 30, 1999; OIG Audit Report No. 11401-3-FM, "FY 1997 National Finance Center Review of Internal Control Structure," dated March 25, 1998).

## VI. IMPROVEMENTS STILL NEEDED IN INFORMATION TECHNOLOGY (IT) SECURITY AND CONTROLS

### FINDING NO. 6

As part of our audit report on the Department's IT security and controls,<sup>25</sup> we identified widespread and serious weaknesses in the Department's ability to adequately protect: (1)

Assets from fraud and misuse, (2) sensitive information from inappropriate disclosure, and (3) critical operations from disruption. Significant information security weaknesses were reported in each of the seven agencies tested, with inadequately restricted access to sensitive data being the most widely reported problem. This and other types of weaknesses identified place critical departmental operations, as well as the assets associated with these operations, at great risk of fraud, disruption, and inappropriate disclosures.

The OCIO has taken steps to strengthen the USDA IT security program. Based on information security problems in USDA reported by OIG and GAO, the former Secretary of Agriculture required the CFO and the Chief Information Officer (CIO) to develop a plan to improve information security across the Department. The OCIO began implementing the action plan by hiring a senior manager for Cyber-Security in February 2000, and assigning four staff members to work on the Cyber-Security team. The OCIO is in the process of establishing a comprehensive information security program starting with establishing baseline security architecture for USDA county-level offices, and the evaluation of appropriate encryption techniques to secure sensitive data. The OCIO is also in the process of establishing a Risk Assessment Work Group, to assist in designing standards and policies; analyzing the Department's backbone security needs to detect and monitor network traffic; and assembling a permanent Cyber-Security response team to protect sensitive systems.

Because of actions underway and planned, in response to prior OIG audits, we are not making any new recommendations in this report.

<sup>25</sup> Audit Report No. 50099-27-FM, "Security Over USDA Information Technology Resources Needs Improvement."



## **VII. FMFIA CORRECTIVE ACTION NEEDS TO BE MORE TIMELY AND IMPROVEMENTS ARE NEEDED WITH THE DEPARTMENT'S INTERNAL REVIEW PROCESS**

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### **FINDING NO. 7**

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Since our fiscal year 1991 Financial Statement audit, we have reported that the Department has been unable to provide reasonable assurance to the President of the United States, that the

Department's financial management systems conform with certain standards and principals. These systems account for over \$124 billion in total assets.

The Comptroller General, in a report to the President of the Senate and the Speaker of the House of Representatives,<sup>26</sup> identified the major management challenges and program risks facing the Department that have limited the effectiveness of the USDA. The report includes the following:

- Delivery of services to farmers has improved, but challenges remain.
- USDA needs to effectively and efficiently provide food assistance benefits to eligible individuals while maintaining program integrity.
- Fundamental changes are needed to minimize foodborne illnesses.
- USDA needs to strengthen Departmentwide information security.
- USDA continues to lack financial accountability over billions of dollars in assets.
- The FS must provide the Congress and the public with a clear understanding of what it accomplishes with appropriated funds.
- Problems persist in processing discrimination complaints.

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<sup>26</sup> GAO Performance and Accountability Series, "Major Management Challenges and Program Risks," Department of Agriculture, January 2001, GAO-01-242.

USDA has a longstanding history of deficiencies in its accounting and financial management systems. Since 1991, because of these deficiencies, we have issued a series of unfavorable financial audit reports on USDA and several of its component agencies. In addition, USDA ability to comply with budgetary and financial statement reporting requirements is severely hampered by its accounting and financial systems' deficiencies. Given the longstanding nature of USDA's financial management deficiencies and the lack of timely corrective actions, complete resolution will continue to be a significant challenge.

We have reported concerns with the lack of timely corrective actions on longstanding material weaknesses since our fiscal year 1991 financial statement audit. We analyzed the USDA fiscal year 2000 FMFIA report and found the following:

- Of the 22 outstanding material Section 2 weaknesses existing prior to fiscal year 2000, we noted 7 weaknesses where the estimated completion timeframes for corrective action had been extended for at least 5 and up to 11 times.
- We found that estimated completion timeframes for 15 of the 22 outstanding material weaknesses identified prior to fiscal year 2000 had been extended in the fiscal year 2000 FMFIA report.
- We also analyzed each of the four Section 4 systems nonconformances reported in the fiscal year 2000 FMFIA report to determine if there were any similar "slippages" in the target completion date. Three of the Section 4 system nonconformances were first identified prior to fiscal year 1995. Based on our analysis, we determined that all of the Section 4 system nonconformances identified prior to fiscal year 1995 had at least two extensions or slippages.

In a prior year's financial statement audit we recommended that agency administrators establish, with OCFO oversight, a task force consisting of each agency's top financial management to identify the obstacles that prevent corrective action; and develop a corrective action plan and establish realistic timeframes for achieving corrective action. The OCFO responded that it agreed with the finding in general, but believed the recommendations were not cost effective because they essentially duplicate actions already in progress. However, we continue to believe more needs to be done in this area.

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## RECOMMENDATION NO. 15

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Work with agency officials in analyzing the reasons for continuous changes in corrective action dates and assist in developing an approach to remediate this problem. Assume corporate level authority over the agency's problems when the agency is unable or unwilling to resolve the material weakness.

This report is intended solely for the information and use of the management of USDA, OMB and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

/s/  
ROGER C. VIADERO  
Inspector General

February 7, 2001



UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF INSPECTOR GENERAL

Washington, D.C. 20250



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## REPORT OF THE OFFICE OF INSPECTOR GENERAL ON COMPLIANCE WITH LAWS AND REGULATIONS

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**TO:** Patricia E. Healy  
Acting Chief Financial Officer  
Office of the Chief Financial Officer

We attempted to audit the accompanying financial statements of USDA as of and for the fiscal year ended September 30, 2000, and have issued our report thereon dated February 7, 2001.

The management of USDA is responsible for compliance with laws and regulations applicable to the Department. As part of obtaining reasonable assurance about whether the Principal Financial Statements are free of material misstatement, we performed tests of the Department's compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material affect on the determination of financial amounts and certain other laws and regulations specified in OMB Bulletin 01-02, including the requirements referred to in the FFMIA of 1996. We tested compliance with:

- Anti-Deficiency Acts of 1906 and 1950;
- Budget and Accounting Procedures Act of 1950;
- Chief Financial Officers Act of 1990;
- Debt Collection Improvement Act (DCIA) of 1996;
- Federal Credit Reform Act of 1990;
- Federal Financial Management Improvement Act of 1996;
- Federal Managers' Financial Integrity Act of 1982; and
- Government Performance and Results Act of 1993.

As part of the audit, we reviewed management's process for evaluating and reporting on internal control and accounting systems, as required by the FMFIA, and compared USDA's most recent FMFIA report, with the evaluation we conducted of USDA's internal control structure. We were unable to review and test USDA policies, procedures, and systems for documenting and supporting financial, statistical, and other information presented in the MD&A section because it was not submitted in time for us to review as a part of this audit. Furthermore, providing an opinion on compliance with certain provisions of laws and regulations was not an objective of our audit, and accordingly, we do not express such an opinion.

Under FFMIA, we are required to report whether the Department's financial management systems substantially comply with: (1) The Federal Financial Management System Requirements (FFMSR), (2) applicable accounting standards, and (3) the SGL at the transaction level. To meet this requirement, we performed tests of compliance with FFMIA, Section 803(a).

The results of our tests disclosed instances, described in our "Findings and Recommendations" section, where the Department's financial management systems, as a whole, did not substantially comply with the three requirements in the preceding paragraph.

Material instances of noncompliance are failures to follow requirements, or violations of prohibitions, contained in law or regulations that cause us to conclude that the aggregation of the misstatements resulting from those failures or violations is material to the financial statements, or the sensitivity of the matter would cause it to be perceived as significant by others. The results of our tests of compliance with the laws and regulations described in the preceding paragraphs exclusive of FFMIA disclosed instances of noncompliance that are required to be reported under Government Auditing Standards and OMB Bulletin 01-02. Material instances of noncompliance noted during our audit are presented in the "Findings and Recommendations" section of this report.

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## FINDINGS AND RECOMMENDATIONS

<b>VIII. BIENNIAL REVIEWS OF USER FEES ARE NOT PERFORMED TIMELY</b>
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### FINDING NO. 8

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- As previously noted, in our fiscal year 1999 USDA financial statement audit, the OCFO issued procedures and delegated responsibility for

conducting biennial reviews to agencies starting in fiscal year 1999. However, during our fiscal year 2000 audit, we found that not all agencies are performing reviews of their user fees on a biennial basis and the OCFO had not fully addressed this requirement. Details follow:

- The OCFO had not reviewed the fee data submitted and made recommendations for revision of user fees to include the full cost of operating programs, where applicable. This was due to personnel shortages according to the OCFO.
- Agencies do not have adequate cost accounting information to adequately address the user fee review.

As a result, USDA agencies may not be recovering the full cost of their programs.

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### RECOMMENDATION NO. 16

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Implement timely and effective processes and procedures for reviewing user fees, including loan processing fees. Hold agency CFOs accountable for reporting the results of the reviews to the Department's OCFO.

## **IX. FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT REQUIREMENTS**

### **FINDING NO. 9**

USDA's financial management systems, as a whole, do not substantially comply with the requirements of the FFMIA. This lack of compliance is due to a plethora of legacy, stove-pipe, disparate accounting systems that are not integrated, longstanding material internal control weaknesses, substantial noncompliance with FFMSR, and the inability to prepare auditable financial statements in a timely manner (see Finding 1). As a result, Department and agency officials do not have the critical financial management information to manage \$124 billion in assets.

The FFMIA provides that an agency of the Federal Government will be considered to be in substantial compliance with financial management system requirements if among other issues:

- Agency financial management systems meet the OMB Circular A-127 requirements.
- The agency can prepare audited financial statements in accordance with applicable accounting standards.
- The agency can comply with the SGL.

According to the FFMIA, substantial noncompliance with the requirements in any one or more of the three areas included in FFMIA would result in substantial noncompliance with the Act.

Beginning with our fiscal year 1991 audit report on the USDA consolidated financial statements, we have reported that the Department has been unable to provide reasonable assurance to the President of the United States, that the Department's financial management systems conform with applicable standards and principals. The USDA's financial management systems do not meet the OMB Circular A-127 requirement that each agency establish and maintain a single, integrated financial management system. The financial management systems also do not follow requirements published in JFMIP's FFMSR series which prescribe the functions that must be performed by systems to capture information for financial statement preparation.

USDA's FFMIA Remediation Plan, dated December 2000, identified four agencies in need of substantial financial management system improvements, including areas of planned remedial actions, along with planned completion dates, to resolve their financial management problems. The plan shows that remedial actions are to be completed by the end of fiscal year 2003. The Department is revising its FFMIA remediation report to include substantially more detail which will assist in monitoring corrective actions.

We considered these material instances of noncompliance in forming our opinion on whether the fiscal year 2000 Principal Financial Statements of USDA are presented fairly, in all material respects, and this report does not modify the disclaimer of opinion expressed in our report, dated February 7, 2001.

This report is intended solely for the information of the management of USDA, OMB and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

/s/  
ROGER C. VIADERO  
Inspector General

February 7, 2001



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## ABBREVIATIONS

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AAPC	Accounting and Auditing Policy Committee
AICPA	American Institute of Certified Public Accountants
CAS	Central Accounting System
CCC	Commodity Credit Corporation
CFO	Chief Financial Officers Act
CIO	Chief Information Officer
CPA	Certified Public Account
DR	Departmental Regulation
FASAB	Federal Accounting Standards Advisory Board
FBWT	Fund Balance with Treasury
FFAS	Farm and Foreign Agricultural Services
FFIS	Foundation Financial Information System
FFMIA	Federal Financial Management Improvement Act
FMFIA	Federal Managers Financial Integrity Act
FMS	Financial Management Service
FS	Forest Service
FSA	Farm Service Agency
FSDW	Financial Statement Data Warehouse
GAO	General Accounting Office
GPRA	Government Performance and Results Act
IT	Information Technology
JFMIP	Joint Financial Management Improvement Program
MD&A	Management Discussion and Analysis
NFC	National Finance Center
NRE	Natural Resources and Environment
OCFO	Office of the Chief Financial Officer
OCIO	Office of the Chief Information Officer
OIG	Office of the Inspector General
OMB	Office of Management and Budget
PROP	Personal Property Management System
RSSI	Required Stewardship Supplement Information
RUS	Rural Utility Service
SF	Standard Form
SFFAS	Statement of Federal Financial Accounting Standards

# Fiscal Year 2000 Annual Financial Statements



Some of the Commodity Credit Corporation and Forest Service data incorporated herein may be revised after the completion of the audit of USDA's FY 2000 Annual Financial Statement.

# Table of Contents

**Management Discussion and Analysis**

Management Discussion and Analysis .....	1
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**Principal Statements**

Consolidated Balance Sheet .....	28
Consolidated Statement of Net Cost .....	30
Consolidated Statement of Changes in Net Position .....	31
Combined Statement of Budgetary Resources .....	32
Consolidated Statement of Financing .....	33

**Notes to Principal Statements**

Notes .....	35
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**Required Supplementary Stewardship Information**

Stewardship Information .....	73
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**Required Supplementary Information**

Supplementary Information .....	83
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## Management's Discussion and Analysis

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## Management's Discussion And Analysis

First, we present our **Mission** and a description of the **Organization**.

Next, we present selected **Performance Goals and Results** in relation to our FY 2000 Strategic Plan, followed by a discussion on **Future Opportunities and Challenges**.

Finally, we present **Financial Highlights** and the results of our **Management Controls** assessment and compliance with financial management systems requirements.

### Mission

To enhance the quality of life for the American people by supporting production agriculture; ensuring a safe, affordable, nutritious, and accessible food supply; caring for public lands and helping people care for private lands; supporting sound sustainable development of rural communities; providing economic opportunities for farm and rural residents; expanding global markets for agricultural and forest products and services; and working to reduce hunger in America and throughout the world.

### Organization

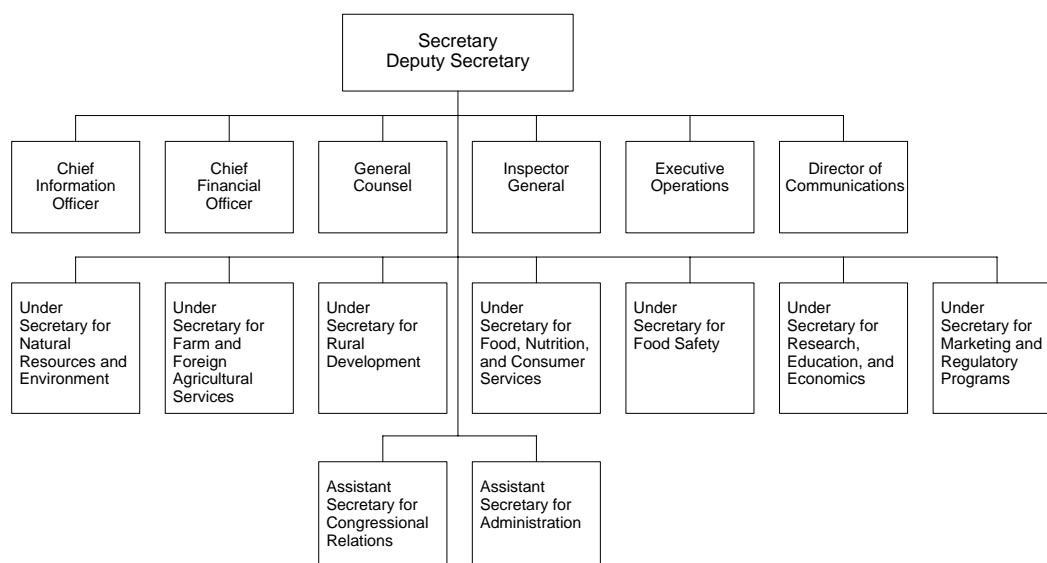
When founding USDA in 1862, Abraham Lincoln called it "the people's department." In Lincoln's day, 90 percent of the "people" were farmers who needed good seed and good information to grow their crops. Today, with less than 2 percent of our Nation's population working the land, USDA serves not only farmers but also everyone who eats food,

wears clothes, lives in a house, or visits a rural area or a National forest. The heart of the Department remains production agriculture, helping farmers feed America and the world in a sustainable way. But, USDA also:

- ▮ Leads the federal anti-hunger effort by providing food stamps to hungry families; school meals to children; and nutritious food and health referrals for pregnant women, new mothers, and their young children;
- ▮ Is the Nation's largest conservation agency—helping people protect soil, water, and wildlife on the 70 percent of land that is privately owned;
- ▮ Manages 192 million acres of America's forests and grasslands;
- ▮ Is the federal government's largest direct lender, providing loans to farmers and investors in rural America;
- ▮ Brings housing, telecommunications, safe drinking water, business opportunities, and other essential services to the Nation's rural communities;
- ▮ Ensures the safety of meat, poultry, and egg products;
- ▮ Safeguards America's animal and plant resources from invasive pests and diseases;
- ▮ Leads research on a range of topics, from human nutrition to new crop technologies that allow farmers to grow more food using fewer chemicals;
- ▮ Promotes open markets for U.S. agricultural products; and
- ▮ Provides food to needy people overseas.



### Organization Chart



The Department's mission is carried out through seven mission areas described below:

#### ***Farm and Foreign Agricultural Services (FFAS) Mission Area***

The Farm and Foreign Agricultural Services mission area, comprised of the Farm Service Agency (FSA), the Foreign Agricultural Service (FAS), the Commodity Credit Corporation (CCC), and the Risk Management Agency (RMA), helps keep America's farmers and ranchers in business as they face the uncertainties of weather and markets. They deliver commodity, credit, conservation, disaster, and emergency assistance programs that help improve the stability and strength of the agricultural economy. FFAS contributes to the vitality of the farm sector with programs that encourage the expansion of export markets for U.S. agriculture. In cooperation with the private sector, this mission area offers broad-based crop insurance programs and other risk management tools.

#### ***Food, Nutrition, and Consumer Services (FNCS) Mission Area***

The Food, Nutrition, and Consumer Services mission area works to harness the Nation's agricultural abundance to end hunger and

improve nutrition and health in the United States. It operates through two agencies, the Food and Nutrition Service (FNS), which administers the federal domestic nutrition assistance programs, and the Center for Nutrition Policy and Promotion (CNPP), which links scientific research to the nutrition needs of consumers through science-based dietary guidance, nutrition policy coordination, and nutrition education and promotion.

#### ***Food Safety (FS) Mission Area***

The Food Safety mission area ensures that the Nation's commercial supply of meat, poultry, and egg products is safe, wholesome, and correctly labeled and packaged. The mission area also plays a key role in the President's Council on Food Safety and has been instrumental in coordinating a National food safety strategic plan among various partner agencies including the Department of Health and Human Services, the Environmental Protection Agency, and others.

#### ***Marketing and Regulatory Programs (MRP) Mission Area***

The Marketing and Regulatory Programs mission area facilitates the domestic and international marketing of U.S. agricultural

products and ensures the health and care of animals and plants. MRP agencies are active participants in international and National standards setting, through international organizations and Federal-State cooperation. Three agencies operate under the MRP mission area: the Agricultural Marketing Service (AMS), the Animal and Plant Health Inspection Service (APHIS), and the Grain Inspection, Packers and Stockyards Administration (GIPSA).

### ***Natural Resources and Environment (NRE) Mission Area***

The goal of the Natural Resources and Environment mission area is to ensure the health of the land through sustainable management. To achieve this goal, NRE agencies work to: prevent damage to natural resources and the environment; restore the resource base and environment to a healthy and sustainable condition where it is impaired; and promote good land management to conserve resource health and ensure the maximum return from investment in conservation. NRE is composed of the Forest Service (FS) and the Natural Resources Conservation Service (NRCS). Both agencies also assist with rural development and help communities with natural resource concerns, such as erosion control, watershed protection, and forestry.

### ***Research, Education, and Economics (REE) Mission Area***

The Research, Education, and Economics mission area is dedicated to the creation of a safe, sustainable, competitive U.S. food and fiber system and strong communities, families, and youth through integrated research, analysis, and education. Through the Agricultural Research Service (ARS), the Cooperative State Research, Education, and Extension Service (CSREES), the Economic Research Service (ERS), and the National Agricultural Statistics Service (NASS), REE

provides research, analysis, and data to benefit consumers and promote agricultural prosperity and sustainable agricultural practices.

### ***Rural Development (RD) Mission Area***

Rural Development programs enhance the ability of rural communities to develop, grow, and improve their quality of life by targeting financial and technical resources to areas of greatest need, through activities of greatest potential. The Rural Development mission area consists of three agencies: the Rural Business-Cooperative Service (RBS), the Rural Housing Service (RHS), and the Rural Utilities Service (RUS), plus the Office of Community Development, which administers the Administration's rural Enterprise Zones/Enterprise Communities initiative, and the National Rural Development Partnership, a Nationwide network of rural development leaders and officials committed to the vitality of rural areas.

### ***Departmental Offices***

Department-level offices provide centralized leadership, coordination, and support for the policy and administrative functions of the Department, helping program agencies deliver services to all USDA customers and stakeholders.

## **Performance Goals And Results**

For the first time, the Department has taken the initial steps to produce an annual performance plan that portrays USDA as a single entity. USDA's revised strategic plan was the beginning of this effort. The September 29, 2000 USDA Strategic Plan details the strategies and goals of the Department over the next 5 years. It represents the culmination of a lengthy process involving countless USDA employees, customers, members of Congress, and other stakeholders.

Supporting this department-wide strategic plan are agency-level strategic plans that offer even

greater detail on specific topics, including the major management challenges facing many USDA mission areas.

All USDA strategic plans will be supplemented by annual performance plans that identify evolving strategies, priorities, and resource needs, as well as yearly performance reports that document recent progress toward the Department's long-term strategic goals.

Combined, these department-wide and agency-specific plans and annual reports form a mosaic of accountability for the Department.

USDA uses a variety of tools to measure the progress it makes toward achieving its strategic goals. These tools include:

- ▮ Program Evaluations;
- ▮ Advisory Committees;
- ▮ Inspector General, General Accounting Office, and Other External Reviews; and
- ▮ Internal Management Studies and Performance Measurement Systems.

Because the Department works with a range of partners to achieve many of its goals, USDA does not always gather the performance data used in its plans. As a result, the Department cannot always control the timeliness and/or accuracy of this data. Where USDA does maintain the performance data, every effort is made to ensure the data is timely and reliable.

The key performance goals and results that follow were selected from the initial department-wide annual performance plan and are presented in relation to the USDA FY 2000 Strategic Plan.

## **STRATEGIC GOAL 1: Expand economic and trade opportunities for U.S. agricultural producers.**

### ***Objective 1.1: Provide an effective safety net and promote a strong, sustainable U.S. farm economy.***

Maintaining profitable operations is the only avenue to running a successful farm or ranch. While factors such as market conditions, weather, and plant and animal diseases can play an important role, the efficiency of a farm's production system largely determines whether the operation will be economically viable. For this reason, helping farmers and ranchers increase the profitability of their operations and decrease the dependence on governmental assistance is a primary USDA objective.

In difficult times, USDA must provide an effective, efficient farm safety net to protect the men and women who feed this country and much of the world. Today, the primary components of the safety net are farm loans and other forms of income support, as well as crop insurance and other risk management tools designed to help mitigate the inherent risks of farming that are outside an individual producer's control. The safety net also includes a broad range of activities that are heavily reliant on research—from increasing the efficiency and sustainability of farming and ranching operations to protecting U.S. agriculture from invasive species and diseases that can threaten regional farm economies.

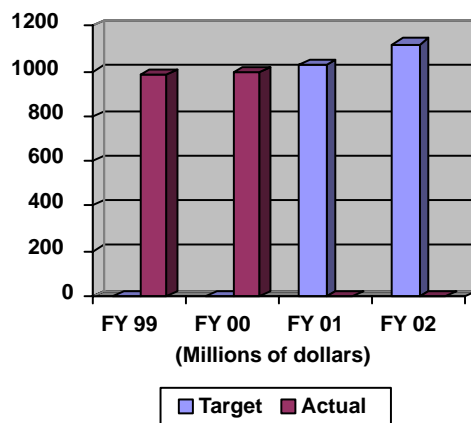
### ***Farm Loans***

FSA's loan programs are designed to help family farmers who are temporarily unable to obtain private, commercial credit. In many cases, they are beginning farmers who have insufficient net worth to qualify for commercial credit. In other cases, they are farmers who have suffered financial setbacks from natural disasters, or who have limited resources with which to establish and maintain profitable farming operations.

Some farmers obtain their credit needs through the use of loan guarantees. Under a guaranteed loan, a local agricultural lender makes and services the loan, and FSA guarantees it against loss up to a maximum of 90 percent in most cases. In certain limited circumstances, a 95 percent guarantee is available. FSA has the responsibility of approving all loan guarantees and providing oversight of lenders' activities.

A weakness in agriculture has been providing credit to minority and beginning farmers. For various reasons, the agricultural lending community, including FSA, has traditionally underserved these two groups. While FSA provides assistance to these groups in greater amounts than commercial lenders, there is opportunity for improvement in this area. By focusing outreach efforts on increasing the number of loans made to minorities and beginning farmers, FSA intends to increase the number of loans made to these producers through aggressive outreach efforts.

**Farm Operating and Ownership Loans Made or Guaranteed to Minorities and Beginning Farmers**

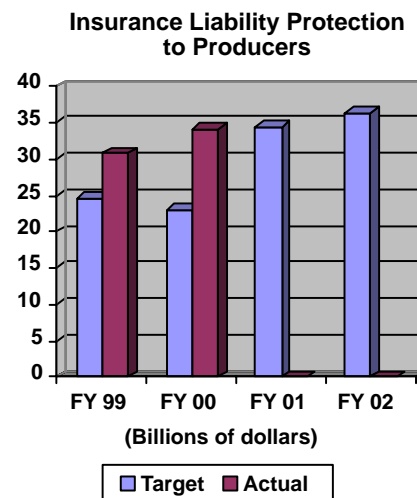


Source/Verification: Program Loan Accounting System.

## Crop Insurance

The purpose of Federal crop insurance is to provide an actuarially sound risk management program to protect producers against losses due to unavoidable causes such as drought, excessive moisture, hail, wind, hurricane, tornado, lightening, insects, etc., or to protect

against loss of revenue due to reduced process, reduced yields, or a combination of both. Crop insurance is available to producers as either Catastrophic Coverage or varying levels of additional coverage. Participation in the crop insurance program has increased significantly in the last decade. One measure of this increased participation rate is the liability (or value of insurance in force) of the Federal crop insurance program. The insurance in force is the total amount of coverage provided to producers who participate in the program.



Source/Verification: Weekly Summary of Business Report.

## Pests and Diseases

One key way that USDA's Animal and Plant Health Inspection Service helps protect the livelihood of our country's farmers and ranchers is by working to prevent invasive pests and diseases from crossing the borders into our country. Such pests and diseases have caused severe losses to agricultural resources in the past. For example, if APHIS were not working to exclude Mediterranean fruit fly and foot-and-mouth disease from our country, our country could potentially suffer production and marketing losses of several billion dollars annually.

APHIS' animal and plant health programs exclude exotic pests from the U.S. and quickly detect and respond to those that are introduced, minimizing agricultural production losses, maintaining market viability, and minimizing environmental

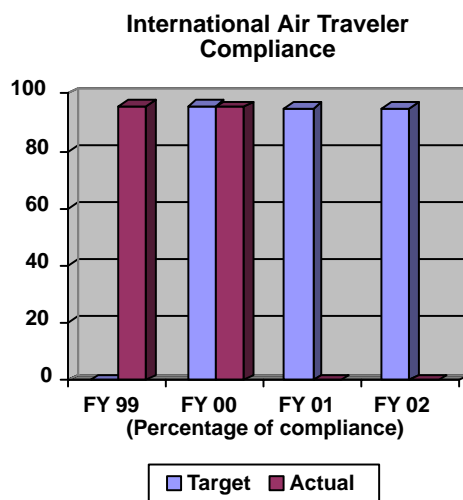
damage. In partnership with federal and state agencies, other countries, industries, and professional organizations, APHIS works to develop and maintain an effective capability to detect, respond to, and eliminate outbreaks of invasive pests and diseases. The management of these activities, which includes animal and plant health, human health, trade and national security impacts, has become increasingly complex.

APHIS uses a number of strategies to deal with the myriad pathways by which exotic agricultural pests and diseases could enter the U.S. One of the key strategies is to assess which agricultural products are likely to be carrying exotic invasive pests and diseases and then to use the Agency's regulatory authority to prohibit those products from being brought to the U.S. This enables the Agency to more easily monitor and inspect for the most significant agricultural health threats, many of which are difficult to detect among the thousands of international travelers approaching our borders every day.

APHIS uses a number of methods to encourage compliance with its quarantine regulations, including public awareness campaigns to help the public and importers understand the need for compliance, inspections of passenger baggage and cargo at points of origin, posting inspectors at ports of entry, and expediting inspection activities in coordination with other Federal Inspection Service agencies.

APHIS also seizes prohibited products at ports of entry and imposes penalties on those who are caught carrying prohibited products. To intercept as many of these potential threats to U.S. agricultural health, inspectors use a number of enforcement strategies, including participating in Passenger Analytical Units at airports to target high-risk passengers, monitoring dedicated commuter lanes at land border ports of entry on the northern and southern borders, working with the U.S. Army to develop new x-ray technology to detect agricultural products in baggage based on atomic makeup and shape, and participating in

inspection "blitzes" as part of multi-agency Trade Compliance teams to search for prohibited items in U.S. markets.



*Source/Verification: The data used to measure this performance goal are collected through PPQ's AQI Monitoring activities. Data are collected at multiple ports of entry for the air passenger pathway by applying standard statistical sampling procedures.*

APHIS' Plant Protection and Quarantine program (PPQ) targeted 95.4 percent of international air passengers would be in compliance with agricultural quarantine regulations in FY 2000. The results in FY 2000 were 95.2 percent. In FY 1999, 95.8 percent of international air passengers complied with agricultural quarantine regulations. It is important to note that compliance rates are estimates based on statistical sampling; the margin of error is  $\pm 0.5$  percent. The actual performance results are the midpoint of the range; thus USDA has achieved its goals aimed at reducing the threat of agricultural pests and diseases approaching U.S. borders.

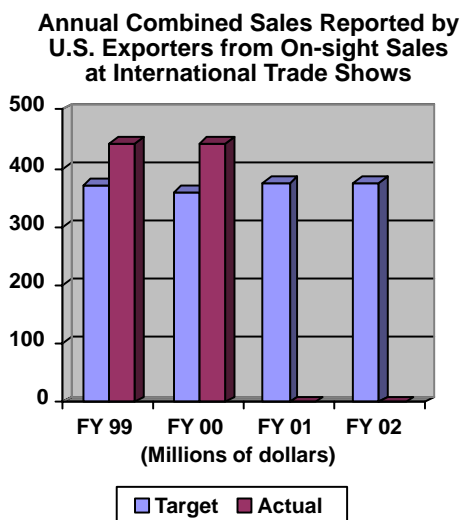
### **Objective 1.2: Expand market opportunities for U.S. agriculture.**

Expanding market opportunities, both at home and abroad, for U.S. agriculture is central to USDA's goal of improving the economic livelihood of farmers and ranchers. Given that 96 percent of American agriculture's potential customers reside outside the Nation's borders,

international trade presents an immense opportunity to strengthen the U.S. farm economy.

### **Sales at International Trade Shows**

A key way USDA assists U.S. agriculture in expanding the U.S. presence in foreign markets is through its sponsorship of international trade shows that feature American food and agricultural products. The Department also has an on-ground presence in approximately 130 countries around the world, collecting and relaying back to U.S. participants up-to-the-minute market intelligence on foreign trade leads and buyer alerts, and providing country importer listings to interested U.S. exporters. Additionally, USDA's overseas agricultural trade officers and attaches work with foreign public and private sector groups to arrange marketing events such as in-store brand promotions for U.S. foods, and wine-tasting contests that feature U.S. wines. The combined result of this work is captured below:



*Source/Verification: This data have been collected for years, so the collection processes and systems are highly reliable. However, the data that supports these measures come directly from the companies benefiting from the specific activities. It is outside FAS' authority and prohibitively costly to validate the actual exports reported.*

## **STRATEGIC GOAL 2: Promote health by providing access to safe, affordable, and nutritious food.**

### **Objective 2.1: Reduce hunger and improve nutrition among children and low-income people in the United States.**

#### **Nutrition Assistance Programs**

Despite America's prosperity, hunger is a persistent problem in the United States. In 1999, people in over 3 million U.S. households experienced hunger. USDA's domestic nutrition assistance programs work to increase food security and reduce hunger in partnership with cooperating organizations by providing children and low-income people access to food, a healthful diet, and nutrition education in a manner that supports American agriculture and inspires public confidence. These efforts touch the lives of one in six Americans and account for nearly one-half of USDA's budget. The largest programs include:

**Food Stamp Program (FSP):** This program increases the food purchasing power of low-income households across the country, helping them to purchase and enjoy a more nutritious diet;

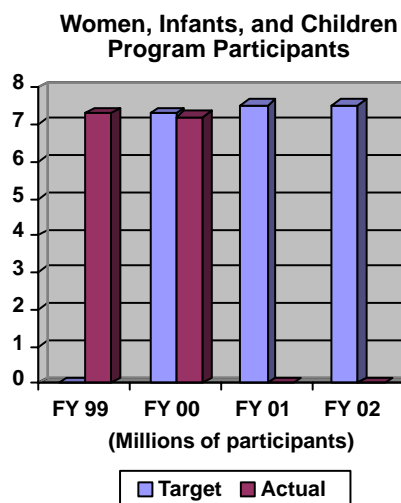
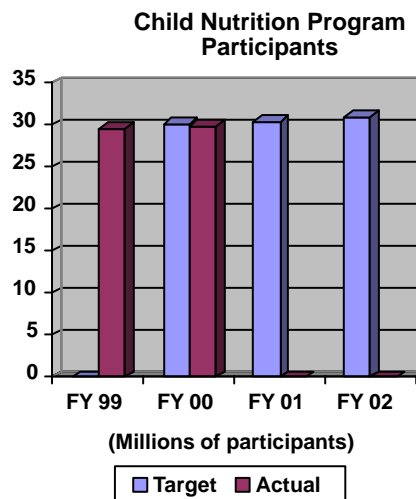
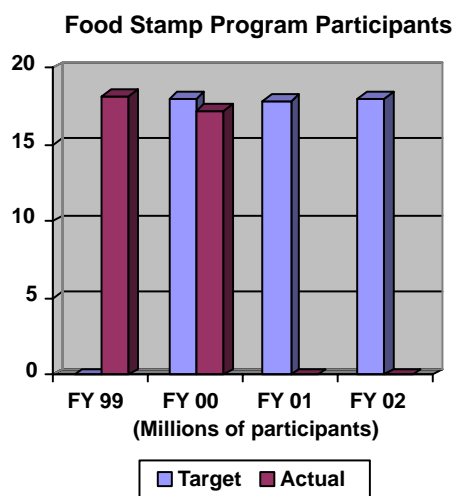
**Special Supplemental Food Program for Women, Infants and Children (WIC):** WIC addresses the health and nutritional needs of at risk, low-income pregnant, breastfeeding and postpartum women, infants, and children up to 5 years of age with supplemental food packages, nutrition education, and health referrals; and

**Child Nutrition Programs (CNP):** These programs support nutritious meals and snacks served in schools, child care programs, adult day care centers, and after-school care programs.

The nutrition assistance programs administered by FNS constitute the lion's share of the Federal government's effort in

improving food security and reducing hunger. The programs are a major source of food for children and adults from low-income households; for some, they may be the only food source. Performance in improving food security is thus linked to providing program access and delivering benefits effectively to eligible populations who face food insecurity. Therefore, FNS' first performance goal—and the one to which most of USDA's nutrition assistance resources contribute—is to maintain access and benefit delivery for all FNS programs.

Most of FNS' appropriated resources are used to deliver benefits to currently certified FNS program participants and to provide funds for State administrative costs. The agency provides the full cost of almost all benefits, and more than half of administrative costs. Expenses for FNS programs in FY 2000 totaled \$32.3 billion. The FSP (\$18.5 billion) accounted for 57 percent of the total agency appropriation while the CNP (\$9.08 billion) accounted for approximately 28 percent and WIC (\$3.9 billion) accounted for 12 percent. All other programs and Federal administrative costs (\$856 million) accounted for the remaining 3 percent.



Source/Verification: Targets were set in the President's 2001 Budget and results were obtained from the National Data Bank.

FNS did not achieve the revised participation targets for FY 2000 in any of the specified programs. The following is a program by program discussion of actual program participation levels and FNS' plans to improve program access and benefit delivery in FY 2001:

Participation in the FSP in FY 2000 fell to an annual average of 17.16 million persons—down by over 1 million persons (almost 6 percent) from the annual average in 1999. Part of this decrease is attributable to favorable economic conditions and a continuation of the downward participation trend that began in 1995. In addition, a portion



of the decrease is attributable to Welfare Reform legislation that affected eligibility for food stamps in a number of ways, such as changing household definitions, and limiting the amount of time an able-bodied adult can receive food stamps. Whereas almost 11 percent of the total U.S. population received food stamps in 1994, about 6 percent received food stamps in FY 2000.

In order to ensure that all Americans have access to a safe and nutritious diet, in FY 2001, FNS will perform the ongoing operational work required for effective delivery of benefits to current eligible participants. In addition, the agency will continue its efforts to improve access to the Food Stamp Program for eligible, non-participating persons, particularly the working poor, elderly and immigrants who may not realize that they are eligible. A key strategy in this area in FY 2001 is an outreach effort to encourage participation by these groups. The agency plans to increase awareness of the program, and the faith, health, nutrition and social service communities, leveraging these groups' strong reach into communities to target messages to persons most in need of Food Stamps. For example, FNS provides access to the electronic files of educational materials; organizations may use the files to print and disseminate these FNS-developed materials to target populations.

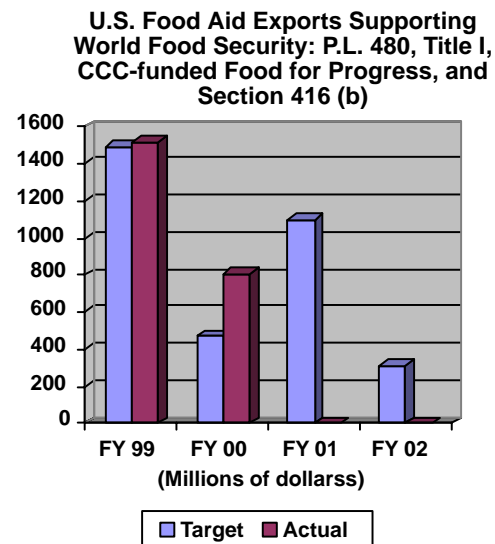
### **Objective 2.2: Reduce hunger and malnutrition around the world.**

While hunger is a profoundly important domestic issue, it is an even larger challenge around the world.

#### **Food Aid Exports**

USDA is contributing in a major way to helping the U.S. live up to its commitment to reduce the number of hungry and malnourished people in the world through its continued participation in foreign aid activities. While helping developing countries with food deficits feed their people, these

activities also provide long-term benefits to the U.S. economy by cultivating tastes and preferences for U.S. food and agricultural products through their introduction to consumers in developing countries. USDA supports the attainment of this outcome by prioritizing and targeting its food aid exports to the most needy populations in developing countries.



*Source/Verification: Performance data is captured in official program/financial databases and audited as part of the Commodity Credit Corporation Annual Financial Report audit. Data are final based upon program agreements signed and amended (as required) prior to the end of the fiscal year. Final shipment figures could vary marginally, but not more than by 1 percent. Data presented only represent commodity value and do not include the cost of shipment and administration. If those costs were included, the overall value of the program would rise considerably.*

### **Objective 2.3: Protect the public health by significantly reducing the prevalence of foodborne hazards.**

#### **Foodborne Illness**

USDA works hard every day to achieve the greatest possible reduction in the risk of foodborne illness associated with meat, poultry, and egg products, over which USDA has jurisdiction. In recent years, the Department, in conjunction with other Federal agencies, has made significant progress in reducing foodborne illnesses by overhauling USDA's inspection system and taking a more



science-based approach. Via targeted research, specifications for purchased commodities, inspection, and education, the Department is enhancing food safety as never before.

Preliminary foodborne illness surveillance data for 1999 compared with data from 1996 suggest that significant reductions in the incidence of foodborne illnesses have occurred. The Centers for Disease Control and Prevention (CDC) has stated that the declines in *Salmonellosis* and *Campylobacteriosis* may reflect changes in meat and poultry plants mandated by USDA.

However, although the United States has one of the safest food supplies in the world, foodborne illness continues to exact a significant toll on consumers. According to USDA research, illness caused by unsafe food could cost the United States as much as \$8 billion annually in increased medical expenditures and lost productivity. Food products are exposed to a large variety of chemical residues that may pose acute and long-term risks to consumers.

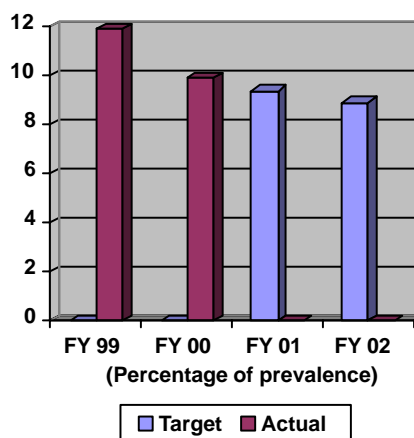
In order to improve public health and safety, USDA is committed to reducing the prevalence of foodborne hazards from farm to the table through coordinated, science-based programs. The scientific data generated by these programs will provide the foundation for improving safety practices during production, processing, and consumer handling of food.

**Meat, Poultry, and Egg Products Inspection:** Because of its food safety responsibilities and its presence in so many plants, the USDA Food Safety and Inspection Service depends upon a large and dedicated workforce of professional, scientific, and technical personnel to inspect the Nation's commercial supply of meat, poultry, and egg products. FSIS provides inspection at approximately 6,000 plants that slaughter cattle, swine, sheep, goats, horses, chickens, and turkeys, as well as plants that process a wide range of

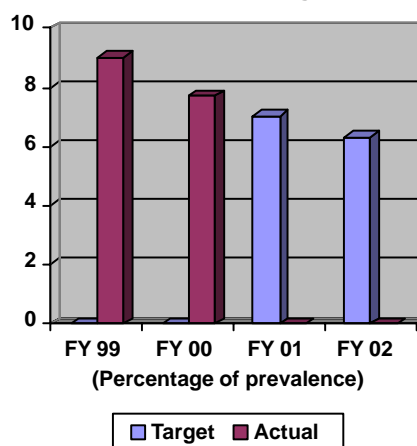
processed products including hams, sausage, stews, eggs, and frozen dinners. In addition, FSIS oversees approximately 27 state inspection programs, conducts compliance reviews of federally inspected or exempted products at warehouses, distributors, retail stores, etc., and inspects imported products through a comprehensive system of import controls.

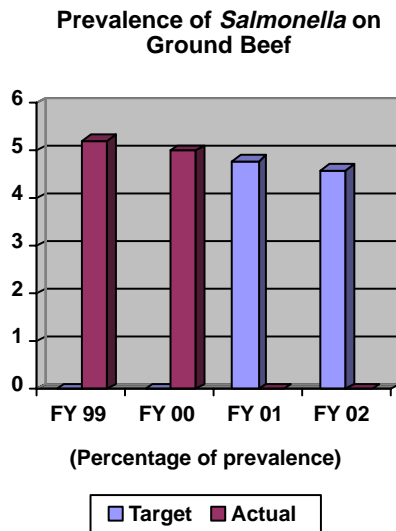
While USDA inspects a variety of meat, poultry, and egg products, broiler chickens, market hogs, and ground beef have been selected as representative samples to illustrate *Salmonella* reductions.

**Prevalence of *Salmonella* on Broiler Chickens**



**Prevalence of *Salmonella* on Market Hogs**





*Source/Verification: Interim Progress Report on Salmonella Testing of Raw Meat and Poultry Products issued by USDA, Food Safety and Inspection Service in September 2000. The report presents data from large and small plants from July 1, 1999 through June 30, 2000.*

In 1996, USDA issued its landmark rule, Pathogen Reduction; Hazard Analysis and Critical Control Point (HACCP) Systems. The Pathogen Reduction/HACCP rule (1) requires all meat and poultry plants to develop and implement a system of preventive controls to improve the safety of their products, (2) sets performance standards for *Salmonella* that slaughter plants and plants producing raw ground products must meet, (3) requires all meat and poultry plants to develop and implement written standard operating procedures for sanitation, and (4) requires meat and poultry slaughter plants to conduct microbial testing for generic *E. coli* to verify the adequacy of their process controls for the prevention of fecal contamination. While the phased-in implementation of the rule began in January 1997, large plants became subject to the *Salmonella* performance standards in January 1998, small plants in January 1999, and very small plants in January 2000. The interim data indicates that HACCP is working as intended and the food supply is safer as a result. Although it is unlikely that all of these

reductions are solely attributable to the implementation of HACCP, USDA nevertheless finds these results encouraging.

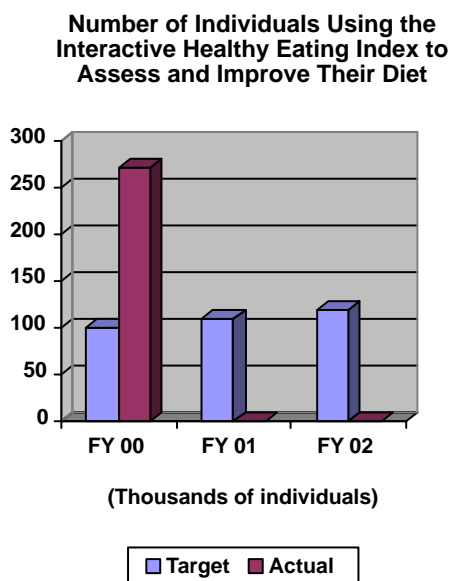
USDA must continue to communicate clearly with the public on: (1) what the food safety risks are, (2) what gaps exist in our knowledge and technologies that make it impossible to reduce risk to zero, (3) what research is being undertaken to address these gaps, and (4) what they should do to protect themselves and their families. In FY 2001, USDA will continue building on the advances of technology and scientific understanding to encourage safe industry processes and to monitor their effectiveness. USDA also will continue its work educating the public about food safety risks and steps the American people can take to protect their health. USDA will continue to work closely with other Federal, State, and local government agencies to help mitigate risks that are not under the Department's regulatory jurisdiction. In the years to come, the Department will continue these working partnerships, including coordinating Federal efforts for a strong international advocate of high, science-based, food safety standards around the globe.

#### **Objective 2.4: Improve public health through nutrition education, promotion, and research.**

Promoting healthy eating is vital to improving the health of the American people.

##### **Interactive Healthy Eating Index**

The Center for Nutrition Policy and Promotion develops and provides several tools containing dietary guidance that can be used to help Americans improve their dietary status. One tool is the Interactive Healthy Eating Index (IHEI) at [www.usda.gov/cnpp](http://www.usda.gov/cnpp). This tool allows people to go directly to the Internet to assess their diet quality and receive recommendations for improvement. The high use of the IHEI—after being available for only 6 months—indicates its potential for long-term success in helping people increase the awareness of their diet and make positive changes in their eating patterns.



Source/Verification: Web Trends Report

From the period April 4, 2000 through September 30, 2000, there were 272,028 individuals—averaging 1,581 individuals per day, staying about 18 minutes per session.

Americans need to make changes to improve the quality of their diet. And they need a quick, easy, and accurate way to assess its quality. The IHEI provides such help: It allows consumers to assess the quality of their own diet and provides specific, practical steps they can take to improve it.

### **STRATEGIC GOAL 3: Maintain and enhance the Nation's natural resources and environment.**

#### ***Objective 3.1: Maintain the productive capacity of the natural resource base for future generations.***

One of the most important responsibilities of the Department of Agriculture is safeguarding

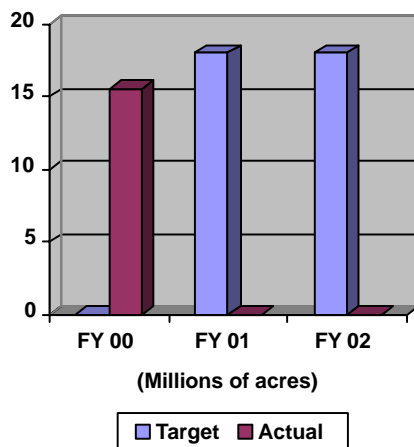
the productive capacity of America's natural resources to ensure that the Nation continues to enjoy an abundant food supply and vibrant agricultural economy. USDA provides assistance in conserving soil, water and related resources on the Nation's 1.5 billion acres of non-federal lands and manages 192 million acres of national forests and grasslands for the American people.

### **Conservation Technical Assistance**

Healthy cropland, grazing lands, and forestland are essential to the Nation's agricultural economy. Maintaining and improving the quality of the Nation's soils and plant communities can increase farm productivity, minimize the use of nutrients and pesticides, improve water and air quality, and help store greenhouse gases. Farmers and ranchers who manage the majority of the Nation's rural land, need assistance in achieving these multiple benefits. In spite of their efforts to be good stewards, more than 800 million acres of cropland, pastureland, rangeland, and private non-industrial forestland need additional conservation to fully protect its health and productivity.

NRCS's activities to help managers of non-federal lands to manage their natural resources well include providing technical assistance directly to agricultural producers and other natural resource managers; sharing the costs of applying conservation practices; and conducting inventories, research, and technology development activities. These efforts are conducted as cooperative activities with other federal agencies and in partnership with tribal, state, and local governmental agencies and grassroots organizations. NRCS's Conservation Technical Assistance program is the department's primary means for dispensing accurate technical information and services to those who need them. USDA's major financial assistance program that assists producers to protect land used for crop and livestock production is the Environmental Quality Incentives Program.

**Non-federal Land Protected Against Degradation by Application of Improved Conservation Systems (working cropland, grazing land, and non-federal forest land)**



Source/Verification: Natural Resources Conservation Service's Performance and Results Measurement System.

No target is shown for FY 2000 because the agency-level performance indicators for FY 2000 differed slightly from the performance indicator that is included in the department-level plan for FY 2001 and 2002. In FY 2000, USDA's Conservation Technical Assistance program and cost-share programs exceeded the targets set at the agency level for increasing conservation on land in specific uses. A part of the accelerated progress in FY 2000 resulted from increased attention to conservation on grazing lands. A part of the difference between expected and reported performance simply reflects the absence of a firm baseline for setting goals. The new reporting system implemented in FY 2000 will provide more complete and accurate data for setting goals and monitoring progress in future years.

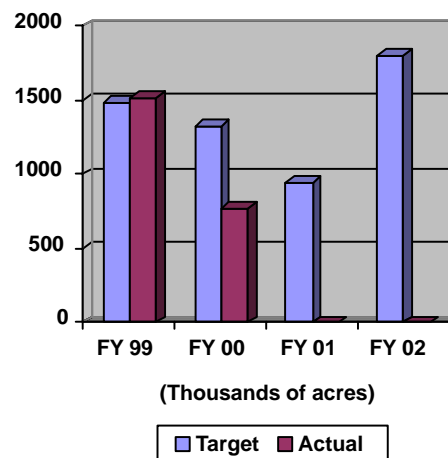
Targets for FY 2001 and 2002 have been set above the FY 2000 reported performance, even though the resources available to address this objective will be slightly less. Further, even if these targets are met, they are far below the level needed to achieve the ambitious goals in the department's strategic

plan. Meeting the strategic goal would require substantial increases in investment in conservation.

## Wildfires

Wildland fire presents increasing risks to communities and the environment. Investments in hazardous fuel treatments are required to reduce this risk. Prescribed fire and other fuel reduction treatments reduce this risk as well as enhance forest and range health by reducing the intensity of wildfires, promoting forage production, maintaining fire dependant ecosystems, and protecting vulnerable urban-wildland interfaces, the area where the urban sprawl encroaches on forested wildlands.

### Hazardous Fuel Treatment



Source/Verification: Forest Service Management Attainment Report (MAR). Documentation of reported accomplishments is maintained at the National Forest where the work was performed.

In FY 2000, hazardous fuel was reduced on 772,375 acres versus the planned 1,320,000 acres. The intense wildland fire situation in FY 2000 precluded accomplishment of the planned amount. The hazardous fuel that was reduced has a direct impact on reducing the risk of and intensity of future wildland fires.

In FY 2001, hazardous fuel work is planned on 948,470 acres. Many of these acres are in

wildland/urban interface areas where the potential for loss of structures from wildland fire is very high.

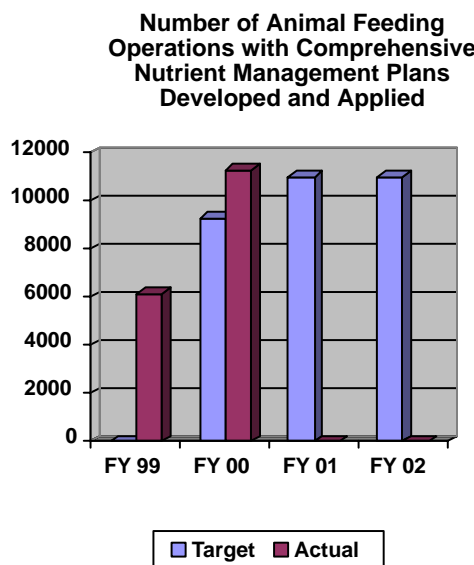
### **Objective 3.2: Protect the quality of the environment.**

Americans expect their environment to provide adequate supplies of clean water, clean air, and pleasant and healthy places in which to live. Farmers, ranchers, and forest owners help to protect the quality of water and air and to improve the environment for everyone when they apply conservation systems that reduce the risk of erosion, fire, and other threats to their land. In many cases, producers are also expected to take action beyond what is necessary to protect their own interests in order to protect the public or to enhance the broader environment. USDA plays a major role in helping them to meet these expectations by developing improved production and conservation technology, providing on-site technical assistance, and providing financial assistance for adopting expensive measures.

### **Animal Feeding Operations**

If not managed well, animal agriculture operations can be the source of silt, nutrients, organic matter, and pathogens that can impair water quality and pose risks to human and environmental health. Rapid increases in animal feeding operations are causing serious concerns in some parts of the country. Animal feeding operations are agricultural enterprises where animals are kept and raised in confined situations so that large numbers of animals and their feed, manure and urine, dead animals, and all operations are confined to a small land area. In response to these concerns, USDA and EPA jointly developed a Unified National Strategy for Animal Feeding Operations; the strategy established a national expectation that, by 2009, all animal feeding operations will develop and be implementing comprehensive nutrient management plans to manage animal waste properly. Many states have developed more stringent requirements

than the national expectation in order to address public concerns. NRCS provides technical and financial assistance that enable producers to manage the collection, storage, and disposal of animal wastes in ways that minimize the potential for damage to the environment.



Source/Verification: Natural Resources Conservation Service's Performance and Results Measurement System

Waste management systems are complex; they require a substantial investment to install and careful management to ensure proper functioning. USDA has been directing increased resources to help producers address concerns associated with animal feeding operations. Initial efforts have included accelerating research, technology development, and resource assessment to better define potential problems and identify effective, cost-efficient management systems as well as increased on-site technical assistance to producers to plan and apply comprehensive nutrient management systems. Notice of new final Comprehensive Nutrient Management Planning Technical Guidance was published in the Federal Register on December 8, 2000.

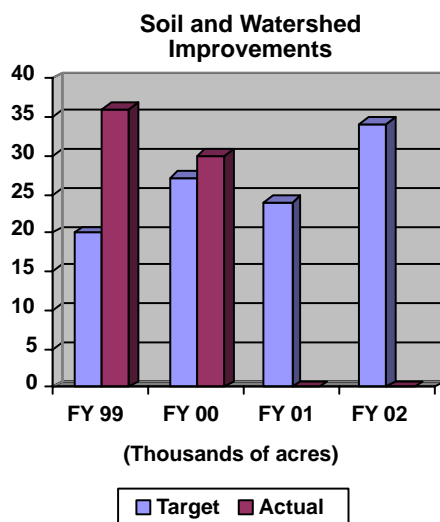
Although the number of operations applying improved systems is increasing, the rate of increase is far short of that needed to meet expectation set in the National Strategy. Other levels of government and the private sector



will play major roles in efforts to address concerns associated with animal feeding operations, but they all rely on USDA technical experts for information, training, and technical assistance.

### Healthy Watersheds

Healthy watersheds are vital to protecting the quality of the environment. They absorb rain and recharge underground aquifers. They control the quality, quantity, and timing of water. They serve as habitat for thousands of species of fish, wildlife, and rare plants. Watersheds dissipate floods across floodplains, increase soil fertility, and minimize damage to lives, property, and streams. Clean water that flows from watersheds is consumed, helps produce food, develops agriculture, creates jobs, generates power, and provides recreational opportunities. Most watersheds are healthy; however, they are deteriorating at alarming rates. Soil and watershed improvements are one of several actions that are aimed at restoring watershed health.



Source/Verification: Forest Service Management Attainment Report (MAR). Documentation of reported accomplishments is maintained at the National Forest where the work was performed.

Watershed improvements make significant contributions to sustaining ecological values and the sustained production of natural resources. Soil and watershed improvements on 29,899 acres in FY 2000 helped stabilize soils and reduce erosion, while returning them to productive status. These improvements contribute to enhanced wildlife and fish habitats as well as improved water quality and result in the natural regeneration of grasslands and forestlands.

### Objective 3.3: Provide multiple benefits to people from the Nation's natural resources.

The Nation's vast landscape, from its mountains, valleys, and rivers, to its fertile soil, abundant water supplies, and diverse natural resources, provides the base for the Nation's wealth—today's standard of living and quality of life.

### Recreation User Satisfaction

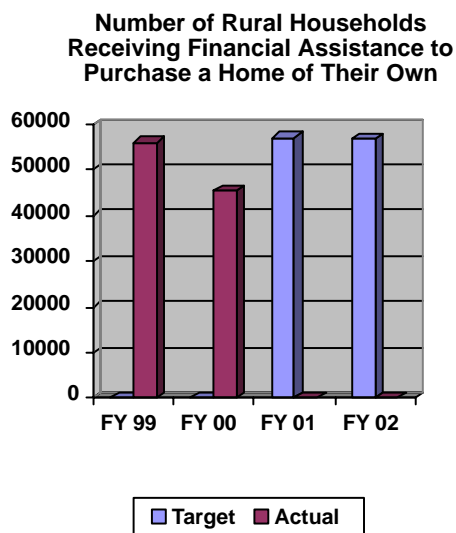
Forests and rangelands together make up almost two-thirds of the total area of the United States. These lands offer the single largest source of outdoor recreation opportunities in the United States. From downhill skiing at Vail, to backcountry expeditions into the Frank Church Wilderness, to family outings on the national forests that surround 20 million of California's residents, USDA provides an incredible range of outdoor opportunities. Measuring recreation visitor satisfaction will allow the Forest Service to build on information in the past and strive to meet the increasing demand for recreation opportunities.

Currently no performance indicators for recreation user satisfaction exist, but recreation specialists and research scientists are working collaboratively to establish quantifiable performance indicators for recreation user satisfaction.

## STRATEGIC GOAL 4: Enhance the capacity of all rural residents, communities, and businesses to prosper.

### ***Objective 4.1: Expand job opportunities and improve the standard of living in rural communities.***

Rural America is characterized by great diversity in the resources and needs of its communities. USDA, in partnership with a variety of public and private organizations, is a key provider of technical and financial assistance that is tailored to the needs of each rural community. From helping create and save jobs in America's country communities, to helping rural citizens buy their first home, to providing essential services, like safe running water, USDA's efforts reflect the Nation's commitment to ensuring a vibrant future for rural America.



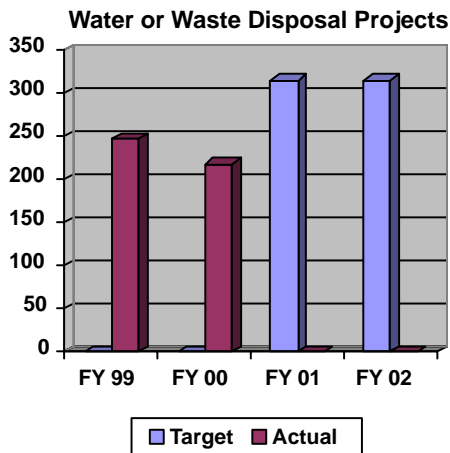
Source/Verification: Report on Status of Loans and Grant Obligations as of September 30, 2000.

In FY 2000, 45,420 rural households received USDA financial assistance to purchase a home of their own. This decline from FY 1999 to FY 2000 is due to higher interest rates in FY 2000 and a slow down in new construction. The housing finance market in general was not as strong nationwide as it had been for the last few years. This impacted the Guaranteed Single Family Housing program resulting in significantly fewer loan originations than expected.

### ***Objective 4.2: Ensure the neediest rural residents and communities have equal access to the USDA programs that will help them succeed.***

Economic growth in rural areas has not occurred evenly throughout the country. Across America there are pockets of severe poverty, often populated by minorities. There are 535 rural counties that have had poverty rates above 20 percent in every census since 1960. An estimated 8.5 million rural residents live in poverty. More than 2.5 million of the rural poor live in substandard housing units. While clean water is immediately available to most Americans, an estimated 690,000 rural residents have no running water in their homes.

An answer for many of these problems is greater investment in public services and jobs in the local community. Unfortunately, while recent strides have been made, USDA technical assistance and credit programs have not been evenly distributed in the past. If these persistent poverty communities are to succeed, they need substantial technical help tailored to their unique community challenges. They also need help obtaining financial assistance. USDA is committed to ensuring that all rural communities are given an equal opportunity to prosper.



*Source/Verification: The list of the 535 persistent poverty counties was obtained from the Economic Research Service of the USDA. These counties were matched with water and waste projects financed in those counties in FY 2000. Data in the Rural Community Facility Tracking System was used to match the counties and obtain numbers and amounts for FY 2000.*

In FY 2000, 219 water or waste disposal projects located in the targeted 535 persistent poverty counties received financial assistance to establish or improve a system for drinking water or waste disposal.

## **STRATEGIC GOAL 5: Operate an efficient, effective, and discrimination-free organization.**

### ***Objective 5.1: Ensure that USDA provides fair and equitable service to all customers and upholds the civil rights of its employees.***

USDA's long struggle with ensuring equity in services and equal opportunity in employment is well documented. The work done by USDA is critical to farmers and ranchers, low-income families, rural communities, and every American who trusts that the food on their plate is safe. With all of these important responsibilities, the Department simply cannot afford civil rights shortcomings that compromise the important work of its diverse and talented staff. Ensuring that all employees

and managers are fully aware of and comply with civil rights policies is difficult in a large, decentralized organization. However, building on the historic progress made in recent years, USDA will continue its journey to becoming a Federal civil rights leader. One key focus will be on building a workforce for the future that reflects the diversity of this country and USDA customers. With adequate resources, USDA will become a better place to work and customers who were underserved in the past will receive quality service in the future—service that proves USDA is a 21<sup>st</sup> century “people’s department.”

### ***Underserved Customers***

Outreach plans were established in every USDA agency during FY 1999 and efforts are underway to increase participation of traditionally underserved customers in Department programs. The agency plans will be used to establish a baseline for participation in FY 2001 and record the program mechanisms that are being put in place to increase participation of underserved customer groups in subsequent years. Regular reports will be used to measure progress and to keep mission area managers informed on the status of their outreach efforts.

### ***Objective 5.2: Improve organizational productivity, accountability, and performance.***

Rapid changes in technology have raised customers' expectations for more, better, faster, and cheaper service in every facet of their lives. They expect no less from USDA. About 30 percent of farmers use the Internet, and nearly half of them use a computer for their farm business. These numbers will grow. Delivering government services through technology or “e-government” represents a fundamental change in the way USDA conducts business. It will transform interactions with customers, employees, and partners and create the potential for vastly more efficient and less costly business practices.



### **Percent of On-line Transactions, including Electronic Signature Implemented**

In response to public expectations, Congress and the President have mandated a major transformation in the way government serve citizens. The Government Paperwork Elimination Act (GPEA) of 1998 and the Freedom to E-File Act of 2000, among other legislation, require USDA agencies to make information and services available electronically by 2002/2003. Although computer technology is making it possible, e-government is primarily about changing the way USDA does business. At the request of the Secretary, each mission area has appointed a senior program leader to work with the Department's E-Business Executive and OCIO to develop plans to implement GPEA and Freedom to e-file. Guiding e-government's direction at USDA presents significant challenges for the Department's programmatic leaders as well as the Information Technology Community. These include:

- ▮ Managing change to e-government while maintaining existing program models;
- ▮ Prioritizing e-government initiatives;
- ▮ Reengineering USDA's business processes;
- ▮ Providing funding for e-government within existing budgets; and
- ▮ Building a secure, reliable, web-based infrastructure capable of delivering programs daily.

In October 2000, USDA agencies submitted their first GPEA plans. These plans focus on three areas: Collections Under the Paperwork Reduction Act, Interagency Reporting Requirements, and High Risk Transactions. OCIO used a web-reporting application and database for agency reporting. During FY 2001, this application will be integrated with the Information Collection database to facilitate tracking of agency e-government

initiatives. Agencies will be required to report quarterly on their progress on transforming effected program areas.

Agency progress will be validated through GPEA and Freedom to E-File Act reporting and analysis of these reports, Information Collection packages submitted showing electronic information collection, discussions with agencies, and through the information technology budget process.

In FY 1999 and FY 2000, USDA implemented several e-business initiatives. However, OCIO did not begin tracking these implementations until FY 2001. The targets for FY 2001 and FY 2002 are 20 percent and 75 percent, respectively, of on-line transactions, including electronic signature implemented.

### **Future Opportunities And Challenges**

USDA's goals and strategies over the next 5 years reflect and anticipate changes and trends in the economy and society at large. Five recurring themes have an impact that cuts across many USDA objectives. USDA seeks to address the challenges and seize the opportunities that these broader forces present:

#### **Market Globalization**

Growing international markets for U.S. food and fiber hold the promise of great gains for America's farmers, rural communities, timber producers, and consumers. But with these rewards come risks. Tight connections among the world's agricultural markets can result in greater volatility for U.S. farmers. The increasingly global nature of our Nation's food supply also raises the risk of imports carrying crop-destroying invasive species or foodborne pathogens. These challenges must be responsibly addressed in the years to come, and USDA must continue its efforts to ensure a free and fair global trading environment for agriculture. If it does, the globalization of agricultural markets promises substantial dividends—a greater ability to feed a growing world population, stronger economies around

the world, and greater global stability. As a result, USDA's goals and strategies reflect a commitment to opening and expanding world markets while ensuring an abundant, safe, and affordable food supply.

### ***Environmental Quality***

Increasing public awareness of the importance of the environment's health holds both opportunities and challenges for U.S. agriculture. Recent scientific discoveries provide new tools to help manage resources more sustainably. USDA programs offer technical and financial help to farmers who want to protect soil, air, water, and wildlife habitat. Producers also must comply with an increasing number of regulations issued by various authorities and often intended to achieve differing goals. Beyond agriculture, management of public lands also has grown more complex due to the increasing demand to balance differing visions of how our Nation's natural resources should be protected and/or used to support local economies. Many natural resource issues also have the added complexity of spanning international boundaries. Our goals and strategies address the increasing need for USDA leadership to ensure that policies and programs at all levels, that affect the environment and agriculture, are based on sound science and balance the need to conserve and sustainably use our Nation's natural resource base.

### ***Technology***

The rapid pace of advances in technology will continue to change virtually every aspect of American life. Technology can yield great efficiencies in agricultural production and marketing and can provide disease-resistant crops and more nutritious foods. These advances, however, sometimes raise concerns about consumer health, the environment, and the future viability of small farming and ranching operations. Technology also can help rural businesses access the economic opportunities of a global marketplace, and enable USDA to address the management

challenge of serving more customers with a smaller staff. But significant investment is needed to bridge the digital divide both in rural America and at USDA. Our goals and strategies anticipate that the Department will make steady progress in providing needed technology to its customers and employees and that USDA will continue to promote safe and effective agricultural technologies.

### ***Diversity***

As our country grows more diverse, so does USDA's customer and employee base. This diversity brings with it a wealth of new ideas and resources. It also calls for greater efforts to ensure that programs and services reach all who need them and that USDA can attract and retain a diverse and talented team to serve all of its customers. Like American society as a whole, USDA has struggled to rectify and overcome a history of disparate treatment based on race, ethnicity, and gender. Building on the strong progress of recent years, USDA's strategy will reflect an unwavering commitment to providing fair and equitable service while treating every customer and employee with dignity and respect.

### ***Discovery***

The success of U.S. agriculture in the 21<sup>st</sup> century depends on continuing the proud record of cutting-edge research on which modern agriculture is built. The many discoveries that increased agricultural production and quality in the 20<sup>th</sup> century are likely to be surpassed by new and more dramatic discoveries in the years to come. Biotechnology can help the world meet the challenge of global food security, holding the promise of foods that promote health and combat disease. The search for economically feasible and renewable fuel sources will create markets for agricultural products and reduce America's dependence on foreign oil. While these advances are underway, the possibilities remain vast for new discoveries not yet dreamed of that will open up promising avenues for agriculture and human health. Our goals and strategies reflect USDA's strong

commitment to pushing the frontiers of scientific knowledge to solve today's problems and tap into tomorrow's opportunities.

## Financial Highlights

The Department has prepared its financial statements in accordance with the accounting standards codified in the Statements of Federal Financial Accounting Standards, and the Form and Content requirements contained in the Office of Management and Budget (OMB) Bulletin No. 97-01.

The Office of Inspector General (OIG) was unable to express an opinion on the Department's financial statements as of and for the year ended September 30, 2000. They concluded that, overall, the Department could not provide sufficient, competent evidential matter to support numerous material line items on the financial statements.

## Budgetary Resources and Outlays

Appropriations, combined with other budgetary resources made available and adjustments, totaled \$131 billion in FY 2000, while total outlays were \$79 billion.

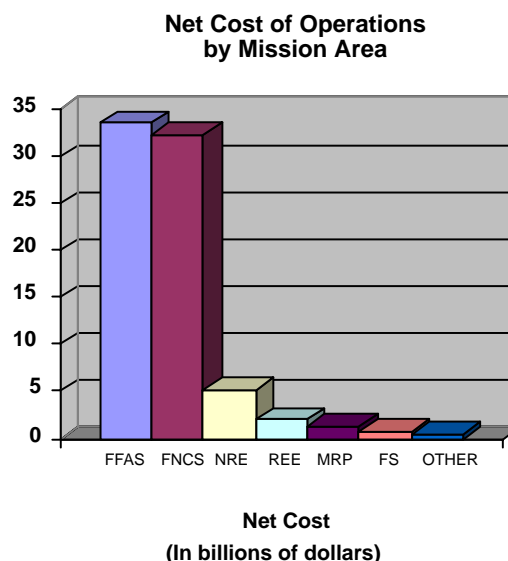
## Assets and Liabilities

USDA's total assets as of September 30, 2000 were \$124 billion. Credit Program Receivables, including Related Foreclosed Property and Fund Balance with Treasury, \$77 billion and \$38 billion, respectively, are 93 percent of total assets. The majority of liabilities consisted of Debt and Resources Payable to Treasury, \$79 billion and \$18 billion, respectively.

## Net Cost of Operations

USDA's net cost of operations for FY 2000 was \$75 billion, a 17 percent increase over the previous year. The net cost of operations for the FFAS and FNCS mission areas,

\$33.6 billion and \$32.3 billion, respectively, are 88 percent of USDA's net cost of operations.



## Limitation on Financial Statements

The financial statements have been prepared to report the financial position and results of operations of the entity, pursuant to the requirements of 31 U.S.C. 3515(b).

While the statements have been prepared from the books and records of the entity in accordance with the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records.

The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity. One implication of this is that liabilities cannot be liquidated without legislation that provides resources to do so.

## Management Controls

### Federal Managers' Financial Integrity Act (FMFIA)

The purpose of the FMFIA is to promote the development of systematic and proactive

measures to ensure management accountability for the effectiveness and efficiency of program operations.

Section 2 of the law focuses on the assessment of the adequacy of management controls to manage the risk associated with a given program and to provide reasonable assurance that obligations/costs comply with applicable laws and regulations; that Federal assets are safeguarded against fraud, waste and mismanagement; and that transactions are properly recorded and accounted for. A material weakness identifies an instance in which the management controls are not sufficient to provide the level of assurance required by Section 2 and requires major milestones for corrective action. Such a weakness may significantly impair the

fulfillment of an agency component's mission; deprive the public of needed services; violate statutory or regulatory requirements, significantly weaken safeguards against waste, loss, unauthorized use or misappropriation of funds, property, or other assets; or result in a conflict of interest.

Section 4 of the law relates to the review of financial accounting systems to ensure conformance with certain principles, standards, and other Federal requirements. A financial management system nonconformance is an instance in which the financial system does not conform to the requirements of Section 4. A material financial management system nonconformance also requires major milestones for corrective action.

### **Statistical Summary of Material Weaknesses and System Nonconformances**

<b>Section 2 – Material Weaknesses</b>				
<b>Years</b>	<b>Beginning Balance FY 2000</b>	<b>New Weaknesses Reported in FY 2000</b>	<b>Weaknesses Corrected in FY 2000</b>	<b>Ending Balance FY 2000</b>
Prior to 1998	18		3	15
1998 Report	4		2	2
1999 Report	6		1	5
2000 Report		7	0	7
<b>Total</b>	<b>28</b>	<b>7</b>	<b>6</b>	<b>29</b>

<b>Section 4 – Material System Nonconformances</b>				
<b>Years</b>	<b>Beginning Balance FY 2000</b>	<b>New System Nonconformances Reported in FY 2000</b>	<b>System Nonconformances Corrected in FY 2000</b>	<b>Ending Balance FY 2000</b>
Prior to 1998	8		5	3
2000 Report		1	0	1
<b>Total</b>	<b>8</b>	<b>1</b>	<b>5</b>	<b>4</b>

The Statistical Summary of Performance depicts the progress of the Department in resolving material deficiencies during FY 2000. During FY 2000, 7 new material

weaknesses were identified. Despite the identification of 7 new Section 2 weaknesses, the Department was able to implement corrective actions on 6 weaknesses.

The Department continues to make significant progress in correcting outstanding system nonconformances. Five of the eight Section 4 financial management system nonconformances identified last year have been corrected. There are 4 outstanding financial management system nonconformances that include one new material deficiency.

Of the 36 material deficiencies reported last year, corrective action was achieved on

11 material deficiencies, or 31 percent this year.

### **Section 2 Material Weaknesses**

The following tables provide a summary of material control weaknesses that were corrected during FY 2000 and a summary of Section 2 deficiencies that were outstanding at the end of the fiscal year. Detailed information concerning these outstanding deficiencies is included in the Federal Managers' Financial Integrity Act Report.

### **Summary of Corrected Material Weaknesses**

Title of Material Weakness	Year Identified	Year Corrected
RURAL DEVELOPMENT		
Rural Housing Service (RHS)		
RHS-92-01 Automation Data Processing Modernization	1992	FY 2000
DEPARTMENTAL OFFICES		
Departmental Administration (DA)		
DA-98-01 Review of Departmental Administration Program Areas' Management Controls	1998	FY 2000
DA-98-02 Management Controls Lacking within USDA Complaints Resolution Process	1998	FY 2000
Office of the Chief Financial Officer (OCFO)		
OCFO-99-01 Inadequate Controls Over Certifying Officers and Submission of Miscellaneous Vouchers and Payments	1999	FY 2000
Office of the Chief Information Officer (OCIO)		
OCIO-96-01 Interoperability and Compatibility of Network Architecture	1995	FY 2000
OCIO-97-01 Resolution of Year 2000 Processing Problems	1997	FY 2000

### **Summary of Outstanding Material Weaknesses**

Title of Material Weakness	Year Identified	Target Year Corrected
FARM AND FOREIGN AGRICULTURAL SERVICES		
Farm Service Agency (FSA)		
FSA-97-03 Equal Employment Opportunity and Civil Rights	1997	FY 2003
FSA-00-01 Credit Reform Accounting and Subsidy Reestimate Processes	2000	FY 2001
FOOD, NUTRITION, AND CONSUMER SERVICES		
Food and Nutrition Service (FNS)		

**Summary of Outstanding Material Weaknesses (cont'd.)**

<b>Title of Material Weakness</b>	<b>Year Identified</b>	<b>Target Year Corrected</b>
FNS-90-04 Management of Food Delivery Systems for the Women, Infants, and Children Program	1990	FY 2002
FNS-90-06 Illegal Transactions Involving the Exchange of Food Stamps	1990	FY 2002
FNS-91-01 Internal Controls for Management of Recipient Claims	1991	FY 2001
FNS-91-02 Administration of the Food Stamp Program at State Agencies	1991	FY 2001
FNS-94-01 Management of Child and Adult Care Food Program	1994	FY 2002
FNS-99-01 National School Lunch and Breakfast Program Eligibility	1999	FY 2003
FOOD SAFETY (FS)		
FSIS-99-01 Over-obligations of Appropriation and Apportionment of the FSIS Account	1999	FY 2002
NATURAL RESOURCES AND ENVIRONMENT		
Forest Service (FS)		
FS-91-01 Administration of Timber Sales Program	1988	FY 2002
FS-91-02 Adequacy of Financial Systems	1989	FY 2002
FS-92-01 Administration of Lands Special Use Permits	1992	FY 2001
FS-92-02 Encroachments on National Forest Service Lands	1992	FY 2002
FS-92-05 Management and Use of Forest Resources	1992	FY 2001
FS-98-01 Internal Controls in the Contracting Area	1998	FY 2001
FS-00-01 Performance Reporting	2000	FY 2003
Natural Resources Conservation Service (NRCS)		
NRCS-99-01 Financial Management Systems	1999	FY 2001
RURAL DEVELOPMENT		
Rural Development (RD)		
RD-96-01 Loan Subsidy Costs	1995	FY 2001
RD-00-01 Business Programs Compliance with All Applicable Civil Rights Laws, Executive Orders, and Program Requirements	2000	FY 2001
Rural Housing Service (RHS)		
RHS-96-02 Oversight of the Multi-Family Housing Program	1992	FY 2001
ALTERNATIVE AGRICULTURAL RESEARCH AND COMMERCIALIZATION CORPORATION (AARCC)		
AARCC-99-01 Lack of Controls in Place to Protect AARCC Investment Portfolio	1999	FY 2001

**Summary of Outstanding Material Weaknesses (cont'd.)**

Title of Material Weakness	Year Identified	Target Year Corrected
DEPARTMENTAL OFFICES		
Departmental Administration (DA)		
DA-99-01 No Written Standard Operating Procedures or Program Policies and Regulations Exist for the 2501 Small Farmer Training and Technical Assistance Program	1999	FY 2001
Office of the Chief Financial Officer (OCFO)		
OCFO-96-01 Adjustments and Reconciliations of Ledger Accounts at the National Finance Center	1996	FY 2003
OCFO-98-01 Inadequate Computer Security and Application Controls	1998	FY 2001
OCFO-00-01 Financial Management Systems Do Not Meet Current Accounting Standards	2000	FY 2002
OCFO-00-02 Material Internal Control Problems Exist in the Accountability and Valuation of Personal Property in WCF Activity Centers	2000	FY 2003
Office of the Chief Information Officer (OCIO)		
OCIO-96-02 Telecommunications and Network Planning	1995	FY 2002
OCIO-00-01 Information Security Weakness and Lack of a Departmentwide Information Security Program	2000	FY 2002
OCIO-00-02 Weakness of Security Over Data Transmission in USDA	2000	FY 2002

**Section 4 Material System Nonconformances**

The following tables provide a summary of the 5 material financial management system

nonconformances that were corrected during FY 2000, and the 4 material nonconformances that remain outstanding at fiscal year-end. One new system nonconformance was identified during the year.

**Summary of Corrected System Nonconformances**

Title of Material System Nonconformance	Year Identified	Year Corrected
NATURAL RESOURCES AND ENVIRONMENT		
Forest Service (FS)		
FS-90-01 Central Accounting Subsystem	1990	FY 2000
FS-90-02 Unpaid Obligations Subsystem	1990	FY 2000
RURAL DEVELOPMENT		
Rural Housing Service (RHS)		
RHS-83-01 Dedicated Loan Origination System	1983	FY 2000
RHS-83-02 Guaranteed Loan Accounting Subsystem	1983	FY 2000
RHS-85-01 Automated Multi-Housing Accounting, Rural Utility Service Loan Accounting, Dedicated Loan Origination, and Program Loan Accounting Subsystems	1985	FY 2000

### **Summary of Outstanding System Nonconformances**

<b>Title of Material System Nonconformance</b>	<b>Year Identified</b>	<b>Target Year Corrected</b>
FARM AND FOREIGN AGRICULTURAL SERVICES		
Commodity Credit Corporation (CCC)		
CCC-00-01 Foreign Credit Subsidiary and Credit Reform Systems	2000	FY 2002
NATURAL RESOURCES AND ENVIRONMENT		
Forest Service (FS)		
FS-89-01 Real Property Management Subsystem	1989	FY 2001
RURAL DEVELOPMENT		
Rural Development (RD)		
RD-94-01 Inadequate Direct Loan Servicing and Reporting Subsystems Exist	1994	FY 2003
DEPARTMENTAL OFFICES		
Office of the Chief Financial Officer (OCFO)		
OCFO-92-01 The Departmental Financial Information System is Inadequate	1992	FY 2003

#### **Federal Financial Management Improvement Act (FFMIA)**

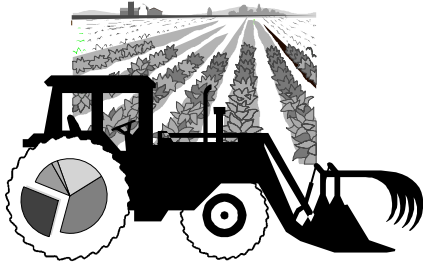
The FFMIA requires that agencies implement and maintain financial management systems that comply substantially with Federal financial management system requirements, applicable Federal accounting standards, and the U.S. government standard general ledger at the transaction level. If an agency is not in compliance with the FFMIA, a remediation plan to bring the agency's financial

management systems into substantial compliance is required.

As of September 30, 2000, the USDA's financial management systems, as a whole, do not comply substantially with the Federal financial management systems requirements. Remediation plans to bring agency's financial management systems into substantial compliance have been developed and are monitored by the Department's Office of Inspector General.



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# Principal Statements

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**U.S. Department Of Agriculture  
Consolidated Balance Sheet**

**As of September 30, 2000**

*(in millions)*

**Assets**

Assets for Use by Entity

Federal

Fund Balance with Treasury (Note 2)	\$38,262
Investments (Note 4)	23
Accounts Receivable, Net (Note 5)	308
Other Assets (Note 6)	<u>20</u>

Total Federal	<u>38,613</u>
---------------	---------------

Non-Federal

Investments (Note 4)	85
Accounts Receivable, Net (Note 5)	1,764
Credit Program Receivables and Related Foreclosed Property, Net (Note 7)	73,840
Domestic Commodity Loans, Net (Note 7)	3,049
Other Foreign Receivables, Net (Note 7)	335
Cash and Other Monetary Assets (Note 3)	389
Inventory and Related Property, Net (Note 8)	581
General Property, Plant, and Equipment, Net (Note 9)	5,383
Other Assets (Note 6)	<u>140</u>

Total Assets for Use by Entity	<u>124,179</u>
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Assets Not for Use by Entity

Federal

Fund Balance with Treasury (Note 2)	23
Accounts Receivable, Net (Note 5)	27
Other Assets (Note 6)	<u>72</u>

Total Federal	<u>122</u>
---------------	------------

Non-Federal

Accounts Receivable, Net (Note 5)	60
Cash and Other Monetary Assets (Note 3)	<u>51</u>

Total Assets Not for Use by Entity	<u>233</u>
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<b>Total Assets</b>	<u><u>\$124,412</u></u>
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**Liabilities**

Liabilities Covered by Budgetary Resources	
Federal	
Accounts Payable	\$2,523
Debt (Note 10)	78,718
Liabilities for Environmental Cleanup Costs (Note 11)	
Resources Payable to Treasury (Note 1)	17,757
Other Liabilities (Note 12)	<u>2,340</u>
Total Federal	101,338
Non-Federal	
Accounts Payable	3,374
Debt (Note 10)	90
Estimated Losses on Loan and Foreign Credit Guarantees (Note 7)	1,084
Liabilities for Environmental Cleanup Costs (Note 11)	
Other Liabilities (Note 12 and 13)	<u>6,087</u>
Total Liabilities Covered by Budgetary Resources	<u>111,973</u>
Liabilities Not Covered by Budgetary Resources	
Federal	
Liabilities for Environmental Cleanup Costs (Note 11)	
Accrued Federal Employees Compensation Act Bills (Note 1)	84
Other Liabilities (Note 12)	<u>862</u>
Total Federal	<u>946</u>
Non-Federal	
Liabilities for Environmental Cleanup Costs (Note 11)	
Annual Leave	470
Federal Employees Compensation Act Liability (Note 1)	360
Other Liabilities (Note 12 and 13)	<u>2,150</u>
Total Liabilities Not Covered by Budgetary Resources	<u>3,926</u>
Total Liabilities	<u>115,899</u>
<b>Net Position</b>	
Unexpended Appropriations (Note 14)	30,292
Cumulative Results of Operations	<u>(21,779)</u>
Total Net Position	<u>8,513</u>
<b>Total Liabilities and Net Position</b>	<u><b>\$124,412</b></u>

*The accompanying notes are an integral part of these statements.*

**U.S. Department Of Agriculture**  
**Consolidated Statement Of Net Cost**  
**For the year ended September 30, 2000**  
*(in millions)*

## Program Costs (Note 16)

Federal	\$8,182
Non-Federal	
Grants and Transfers	62,324
Other Program Costs	<u>14,257</u>
Total Program Production Costs	84,763
Less Earned Revenues (Note 17)	<u>10,139</u>
Excess Production Costs Over Revenues	74,624
Non-Production Costs	
Acquisition Cost of Stewardship Land	294
(Gain) or Loss on Disposition of Assets	<u>(1)</u>
Net Program Costs	74,917
Costs Not Assigned to Program	117
<b>Net Cost of Operations</b>	<b><u>\$75,034</u></b>

*Deferred Maintenance (See Required Supplementary Information)*  
*The accompanying notes are an integral part of these statements.*

**U.S. Department Of Agriculture**  
**Consolidated Statement Of Changes In Net Position**  
**For the year ended September 30, 2000**  
*(in millions)*

Net Cost of Operations (Note 16)	\$75,034
Financing Sources (Other Than Exchange Revenues)	
Appropriations Used	86,749
Taxes (and Other Non-Exchange Revenues)	12
Donations (Non-Exchange Revenue)	5
Imputed Financing	811
Transfers-In	839
Transfers-Out	(2,473)
Other Financing Sources	<u>(206)</u>
Net Results of Operations	10,703
Net Results Not Affecting Net Position	(3,013)
Prior Period Adjustments (Note 19)	<u>5,100</u>
Net Change in Cumulative Results of Operations	12,790
Increase (Decrease) in Unexpended Appropriations	<u>(540)</u>
Change in Net Position	12,250
Net Position-Beginning of Period	<u>(3,737)</u>
Net Position-End of Period (Note 19)	<u><u>\$8,513</u></u>

*The accompanying notes are an integral part of these statements.*



**U.S. Department Of Agriculture**  
**Combined Statement Of Budgetary Resources**  
**For the year ended September 30, 2000**  
*(in millions)*

**Budgetary Resources**

Budget Authority	\$142,425
Unobligated Balances – Beginning of Period	26,449
Spending Authority From Offsetting Collections	25,429
Adjustments	<u>(63,767)</u>
Total Budgetary Resources	<u><u>130,536</u></u>

**Status of Budgetary Resources**

Obligations Incurred	105,923
Unobligated Balances – Available	9,241
Unobligated Balances – Not Available	<u>15,372</u>
Total Status of Budgetary Resources	<u><u>130,536</u></u>

**Outlays**

Obligations Incurred	105,923
Less: Actual Spending Authority From Offsetting Collections and Actual Adjustments	27,169
Obligated Balance, Net – Beginning of Period	28,221
Less: Obligated Balance, Net – End of Period	<u>28,151</u>
Total Outlays	<u><u>\$78,824</u></u>

*The accompanying notes are an integral part of these statements.*

**U.S. Department Of Agriculture**  
**Consolidated Statement Of Financing**  
**For the year ended September 30, 2000**  
*(in millions)*

## Resources Used to Finance Operations

## Budget

Budgetary Resources Obligated for Items To Be Received or Provided to Others	\$105,923
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Less: Offsetting Collections, Recoveries of Prior-Year Authority, and Changes in Unfilled Customer Orders	27,169
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Net Budgetary Resources Used to Finance Operations	78,754
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## Non-Budgetary

Property Received from Others Without Reimbursement	370
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Property Given to Others Without Reimbursement	(441)
--	-------

Costs Incurred by Others Without Reimbursement	811
--	-----

Other Non-Budgetary Resources (Note 21)	(1,720)
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Net Non-Budgetary Resources used to Finance Operations	(980)
--	-------

Total Resources Used to Finance Operations	77,774
--	--------

## Resources Used to Fund Items Not Part of the Net Cost of Operations

Increase or (Decrease) in Budgetary Resources Obligated to Order Goods or Services Not Yet Received	2,611
---	-------

Budgetary Offsetting Collections Not increasing Earned Revenue or Decreasing Expense	(12,220)
--	----------

Adjustment Made to Compute Net Budgetary Not Affecting Net Cost Operations	2,908
--	-------

Resources Funding Expenses Recognized in Prior Periods	2,551
--	-------

Resources Financing the Acquisition of Assets or Liquidation of Liabilities	12,498
---	--------

Other Resources Used to Fund items Not Part of the Net Cost (Note 21)	(153)
---	-------

Total Resources Used to Fund Items Not Part of the Net Cost of Operations	8,195
---	-------

Resources Used to Finance the Net Cost of Operations	69,579
--	--------

## Components of Net Cost of Operations Not Requiring or Generating Resources During the Reporting Period

Expenses or Earned Revenue Related to the Disposition of Assets or Liabilities, or Allocation of Their Cost Over Time	2,187
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Expenses Which Will Be Financed with Budgetary Resources Recognized in Future Periods	3,642
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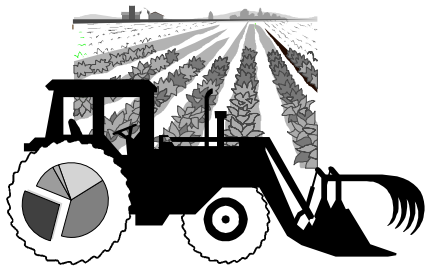
Other Net Cost Components Not Requiring or Generating Resources During the Reporting Period (Note 21)	(374)
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Total Components of Net Cost of Operations Not Requiring or Generating Resources During the Reporting Period	5,455
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<b>Net Cost of Operations</b>	<b><u>\$75,034</u></b>
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*The accompanying notes are an integral part of these statements.*

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## Notes to the Principal Statements

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## Notes To Principal Financial Statements As Of September 30, 2000

### Note 1. Significant Accounting Policies

#### *Reporting Entity*

The Department is comprised of various agencies, corporations, and offices through which it implements its programs. All USDA entities are referred to as agencies in the financial statements unless otherwise noted. As of the end of the FY 2000, USDA employed over 97,605 full-time employees.

The USDA mission areas, agencies, and corporations are as follows:

- ┆ Farm and Foreign Agricultural Services (FFAS) mission area
  - ◆ Farm Service Agency (FSA)
    - ┆ Commodity Credit Corporation (CCC)
  - ◆ Foreign Agricultural Service (FAS)
  - ◆ Risk Management Agency (RMA)
    - ┆ Federal Crop Insurance Corporation (FCIC)
- ┆ Food, Nutrition, and Consumer Services (FNCS) mission area
  - ◆ Center for Nutrition Policy and Promotion (CNPP)
  - ◆ Food and Nutrition Service (FNS)
- ┆ Food Safety mission area
  - ◆ Food Safety and Inspection Service (FSIS)
- ┆ Marketing and Regulatory Programs (MRP) mission area
  - ◆ Agricultural Marketing Service (AMS)
  - ◆ Animal and Plant Health Inspection Service (APHIS)
  - ◆ Grain Inspection, Packers and Stockyards Administration (GIPSA)
- ┆ Natural Resources and Environment (NRE) mission area
  - ◆ Forest Service (FS)
  - ◆ Natural Resources Conservation Service (NRCS)
- ┆ Research, Education, and Economics (REE) mission area
  - ◆ Agricultural Research Service (ARS)
  - ◆ Cooperative State Research, Education, and Extension Service (CSREES)

- ♦ Economic Research Service (ERS)
- ♦ National Agricultural Statistics Service (NASS)
- ┌ Rural Development (RD) mission area
  - ♦ Rural Business – Cooperative Service (RBS)
  - ♦ Rural Housing Service (RHS)
  - ♦ Rural Utilities Service (RUS)
  - ┌ Rural Telephone Bank (RTB)

Other Services mission area

- ┌ Alternative Agriculture Research and Commercialization Corporation (AARCC)
- ┌ Departmental Administration (DA)
- ┌ Departmental Offices
  - ♦ National Appeals Division (NAD)
  - ♦ Office of Budget and Program Analysis (OBPA)
  - ♦ Office of Communications (OC)
  - ♦ Office of the Chief Economist (OCE)
  - ♦ Office of the Chief Financial Officer (OCFO)
  - ♦ Office of the Chief Information Officer (OCIO)
  - ♦ Office of the General Counsel (OGC)
  - ♦ Office of the Inspector General (OIG)

### ***Basis of Presentation***

USDA consolidated and combined financial statements include data for all agencies previously described under the Reporting Entity section. Consolidated statements are presented net of material activity between USDA entities.

The Statement of Budgetary Resources is prepared on a combined basis because budgetary elimination entries are not reflected for intra-USDA transactions.

The statements have been prepared to report the financial position and results of operations of USDA, as required by the Chief Financial Officers (CFOs) Act of 1990. They have been prepared from the books and records of USDA agencies in accordance with the form and content of entity financial statements specified by the Office of Management and Budget (OMB) and modified by USDA's accounting policies, which are summarized in these notes. As a result of preparing the financial statements in accordance with the prescribed form and content, they differ from the reports that are used to monitor and control USDA's use of budgetary resources.

### ***Basis of Accounting***

The financial statements have been prepared pursuant to the requirements of the CFOs Act of 1990, and in accordance with a comprehensive basis of accounting that USDA financial managers have concluded is most appropriate for presenting significant assets, liabilities, net position, and results of operations. USDA's hierarchy of accounting policies is as follows:

1. The Federal Accounting Standards Advisory Board (FASAB), Statements of Federal Financial Accounting Standards (SFFASs), Interpretations and American Institute of Certified Public Accountants (AICPA), and Financial Accounting Standards Board (FASB) pronouncements specific to federal entities;
2. FASAB Technical Bulletins, and AICPA Industry Audit, and Accounting Guides, and SOP specific to federal entities;
3. Accounting and Auditing Policy Committee (AAPC) technical Releases, and AICPA Practice Bulletins specific to federal entities;
4. FASAB Implementations Guides, and widely recognized and prevalent practices in the federal government; and
5. Other accounting literature (includes FASAB Concept Statements)

The accounting structure of federal government agencies is designed to reflect both accrual and budgetary accounting transactions. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. The budgetary accounting principles, on the other hand, are designed to recognize the obligation of funds according to legal requirements, which in many cases is prior to the occurrence of an accrual-based transaction. The recognition of budgetary accounting transactions is essential for compliance with legal constraints and controls.

### ***Other Accounting Policies:***

#### **Accrued Interest Payable**

Accrued interest payable is primarily the interest due on borrowings from the Treasury and the Federal Financing Bank (FFB) at fiscal year-end, and is included with accounts payable in the financial statements. USDA is required to make periodic interest payments to Treasury based on its debt to the Treasury.

#### **Appropriations**

USDA receives the majority of the funding needed to support its programs through appropriations. Appropriations are provided on an annual, multi-year, and no-year basis and are used to fund programs and other operating expenses. Such expenses include personnel compensation and fringe benefits, rents, communications, utilities, and other administrative expenses. Appropriations are also used to fund capital investments. Additional funds are obtained through reimbursements for goods and services provided to other government and non-government entities.

#### **Direct Loans and Loan Guarantees**

In accordance with the Credit Reform Act of 1990, USDA records most direct loans and loan guarantees committed after September 30, 1991, based on the present value of net cash flows estimated over the life of the loan or guarantee. Direct loans made prior to October 1, 1991, may be recorded under the present value method or the allowance for loss method (the outstanding principal reduced by an allowance for uncollectible amounts when it is more likely than not that the loans will not be collected in full). Liabilities related to loan guarantees committed prior to October 1, 1991, may be recorded under the present value method or the allowance for loss method (the amount the agency estimates will more likely than not require a future cash outflow to pay default claims).



USDA's commodity loans are exempt from the Credit Reform Act. These loans differ from commercial (foreign) credit and credit guarantees because of the repayment terms. In the case of non-recourse commodity loans, producers have the option of either repaying the principal plus interest or, at maturity, forfeiting the collateral (commodity) in full satisfaction of the loan.

Interest income on loans is accrued at the contractual rate on the outstanding principal amount. Interest is not accrued on delinquent loans. Interest on delinquent loans is usually restored to loans receivable, with an offsetting credit to the allowance for loan losses, when borrowers enter troubled debt restructuring arrangements. Interest income recognition subsequent to the restructuring is generally limited to actual cash interest received from these borrowers. Various departmental lending programs provide for interest rates significantly less than the Treasury average interest rate.

In some instances, interest is not accrued on commodity loans because the amount and timing of interest payments to be received are uncertain. In these cases, the Department realizes interest income at the time interest payments are received.

Other sources of financing include long-term and interim borrowings from the Treasury, the FFB, and private lending agencies. Borrowings payable to the Treasury result from the Secretary of Agriculture's authority to make and issue notes for the purpose of discharging obligations for RD's insurance funds and CCC's unreimbursed realized losses and debt related to the foreign assistance programs.

Funds may also be borrowed from private lending agencies and others. USDA reserves a sufficient amount of its borrowing authority to purchase, at any time, all notes and other obligations evidencing loans made by agencies and others. All bonds, notes, debentures, and similar obligations issued by the Department are subject to approval by the Secretary of the Treasury. Reservation of borrowing authority for these purposes has not been required for many years.

Note 7 provides additional information concerning direct loans and loan guarantee programs.

### **Exchange and Nonexchange Revenue**

In accordance with federal government accounting guidance, USDA classifies revenue as either "exchange revenue" or "nonexchange revenue". Exchange revenue arises from transactions that occur when each party to the transaction sacrifices value and receives value in return. In most cases, USDA agencies are required to remit exchange revenue receipts to the U. S. Department of the Treasury (Treasury). Some agencies are authorized to use a portion of their exchange revenues for specific purposes. Nonexchange revenue is revenue the federal government is able to demand or receive due to its sovereign powers.

### **Full Cost**

In accordance with federal government accounting guidance, USDA measures, and reports the full costs of products and services generated from the consumption of resources. Full cost is the total amount of resources used to produce a product or provide a service unless otherwise noted. For FY 2000, Treasury Judgment Fund costs not associated with a particular mission area (responsibility segment) are presented in an adjustment column on the Statement of Net Cost.

### **Imputed Pension and Other Retirement Benefits**

In accordance with federal government accounting guidance, USDA recognizes the liability and associated expense for employee pensions and other retirement benefits (including health care and other post-employment benefits) at the time the employee's services are rendered.

Pension expense, retirement health benefits, and related liabilities are recorded at estimated actuarial present value of future benefits, less the estimated actuarial present value of normal cost contributions made by, and for covered employees. Other post-employment benefit expenses and related liabilities are recognized when the future outflow of resources is probable and measurable on the basis of events occurring on or before the reporting date.

### **Insurance Premium Revenue**

Insurance premium revenue (including premium subsidies) relate to a crop's risk of loss incurred by FCIC. It is recognized and earned on a pro rate basis over each crop's growing season. The portion of premium (unearned premium) and premium subsidy not recognized during a fiscal year is classified as nonfederal unearned revenue and federal unearned revenue, respectively.

Liabilities for claims payable and related claims adjustment expenses are established using estimates based on historical experience adjusted for changes in crop growing conditions. As a result, the ultimate liabilities may differ significantly from the recorded estimates.

### **Liabilities**

Liabilities represent the amount of monies or other resources that is likely to be paid by USDA as the result of a transaction or event that has already occurred; however, no liability can be paid by USDA, absent an appropriation. Liabilities for which an appropriation has not been enacted are therefore classified as unfunded liabilities and there is no certainty that the appropriations will be enacted.

### **Related Party Transactions**

CCC's domestic programs are carried out primarily through FSA personnel. CCC issues checks for many FSA programs, which are funded through allocation transfers from FSA. During FY 2000, FSA transferred to CCC \$220 million to cover payments made by CCC in the approximate amount of \$236 million.

The Corporation also provides and uses the services of other USDA agencies to carry out its authorities and responsibilities. AMS and the Food and Nutrition Service (FNS) fund the purchase of some commodities. As of September 30, 2000, the related deposit and trust liability for AMS and FNS was \$510 million.

CCC donates commodities for use under domestic feeding programs administered by FNS. The value of commodities donated for these domestic purposes, including related transportation and storage costs, for the fiscal year ended September 30, 2000 was \$45 million.

Under Credit Reform, CCC transferred \$5 million to FAS and an additional \$1 million to FSA during FY 2000, for salaries and expenses of the foreign programs. In addition, CCC paid \$56 million to FSA to cover administrative cost in carrying out the Market Loss Assistance Program.

During FY 2000, outlays under reimbursable agreements with other USDA agencies amounted to \$48 million. Interagency accruals, reflecting amounts due and payable as of September 30, 2000, on reimbursable agreements amounted to \$6 million.

During the fiscal year ended September 30, 2000, the Corporation transferred \$217 million to the Animal and Plant Health Inspection Service (APHIS) for the eradication of animal and plant diseases. It also transferred \$5 million for a Livestock Mandatory Market News Program. Deposit and trust liability to cover payments for karnal bunt, on behalf of APHIS, was \$2 million as of September 30, 2000.

CCC transferred \$3 million to the Forest Service for emergency program activities.

CCC paid \$400 million to the Risk Management Agency for funding the emergency financial assistance premium discount. In addition, CCC paid \$33 million to NRCS for technical assistance for Conservation Reserve Program (CRP) and \$33 million for technical assistance for Environmental Quality Incentives Program (EQIP).

### **Resources Payable to Treasury**

Resources Payable to Treasury represents the net resources of pre-Credit Reform programs, payments due to Treasury for excess funds not being transferred to working capital, and payments of residual timber and grassland revenue after making required transfers to states and counties. The liability related to pre-Credit Reform programs' net resources is increased (or decreased) by net gains (or losses) incurred in these funds.

### **Retirement Benefits**

USDA employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS) that became effective on January 1, 1987. Most employees hired after December 31, 1983, are automatically covered by FERS and Social Security. Employees hired prior to January 1, 1984, could elect to either join FERS and Social Security or remain in CSRS.

USDA makes matching contributions to CSRS on behalf of CSRS employees. Employees covered by CSRS are not subject to Social Security taxes, nor are they entitled to accrue Social Security benefits for wages subject to CSRS.

Under the FERS plan, USDA contributes an amount equal to one percent of the employee's basic pay to the tax deferred thrift savings plan and matches employee contributions up to an additional four percent of pay. FERS employees can contribute 10 percent of their gross earnings to the plan. CSRS employees are limited to a contribution of five percent of their gross earnings and receive no matching contribution from USDA.

The Office of Personnel Management is responsible for reporting the assets, accumulated plan benefits, and unfunded liabilities, if any, applicable to CSRS participants and FERS employees government wide, including USDA employees.

### **Workers' Compensation Liability**

The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. Consequently, the Department recognizes a liability for this compensation that is comprised of two components: (1) an accrued liability which represents money owed for claims paid through the current fiscal year and (2) an actuarial liability which represents the expected liability for approved compensation cases beyond the current fiscal year. Claims incurred for benefits for the Department's employees under FECA are administered by the Department of Labor (DOL) and are ultimately paid by the Department of Agriculture.

## Note 2. Fund Balance With Treasury

(U.S. dollars in millions)

	Appropriated Funds	Revolving Funds	Trust Funds	Other Funds	Total
Assets for Use by Entity					
Obligated	12,282	2,005	278	220	14,785
Unobligated – Available	5,391	3,154	29	115	8,689
Unobligated – Expired Authority	14,131				14,131
Unobligated – Restricted	<u>102</u>	<u>411</u>	<u>144</u>	<u>—</u>	<u>657</u>
<b>Total</b>	<u><u>31,906</u></u>	<u><u>5,570</u></u>	<u><u>451</u></u>	<u><u>335</u></u>	<u><u>38,262</u></u>
Assets Not for Use by Entity					
Obligated				20	20
Unobligated – Available			23	22	45
Unobligated – Restricted	<u>13</u>		<u>—</u>	<u>(55)</u>	<u>(42)</u>
<b>Total</b>	<u><u>13</u></u>		<u><u>23</u></u>	<u><u>(13)</u></u>	<u><u>23</u></u>

USDA, does not, for the most part, maintain cash in commercial bank accounts. Cash receipts and disbursements are processed by the Department of Treasury. Fund Balance with Treasury represents the appropriated, revolving, and trust funds that are available to pay current liabilities and finance authorized purchase commitments. Unobligated balances that are available may be used for new obligations.

During FY 2000, a major effort was undertaken by USDA to develop, document and implement a sustainable cash reconciliation process. USDA established a project team, consisting of USDA employees and members of a national public accounting firm, at the National Finance Center. Through an extensive reconciliation effort, the team identified \$160 million of historic (FY 1999 and prior) reporting differences with Treasury. The Department, Treasury and the Office of Management and Budget (OMB) agreed upon an adjustment methodology for resolving these reporting differences. The agreement allows the summary adjustment of these reporting differences to zero against closed administrative appropriations for FY's 1993, 1994 and 1995. The resolution of these reporting differences was determined to have no impact on the Department's reportable cash activity for FY 2000 financial statement purposes.

## Note 3. Cash and Other Monetary Assets

(U.S. dollars in millions)

	Assets for Use by Entity	Assets Not for Use by Entity
Cash	381	51
Other Monetary Assets		
Other	<u>8</u>	<u>—</u>
Total Other Monetary Assets	<u>8</u>	<u>—</u>
Total Cash, Foreign Currency and Other Monetary Assets	<u><u>389</u></u>	<u><u>51</u></u>

Rural Housing Service collects escrow payments (i.e., insurance and taxes) from Single Family Housing borrowers. Existing Borrowers, which were delinquent and require servicing actions, must also submit these escrow payments. The escrow payments are deposited with the Trustee, Mercantile Bank Corporation, who as Trustee is required to invest these funds and disburse them as stipulated in the Trust Agreement. The balance in this account as of September 30, 2000, was \$51 million.

Commodity Credit Corporation reported collections in transit at September 30, 2000, of \$65.6 million.

## Note 4. Investments

(U.S. dollars in millions)

	Cost	Amortization Method	Unamortized (Premium)/ Discount	Investments
Federal Securities				
Marketable	<u>22</u>	N/A	<u>1</u>	<u>23</u>
Subtotal	<u>22</u>		<u>1</u>	<u>23</u>
Non-Federal Securities		N/A		
Certificates of Deposit	67			67
Other	<u>18</u>			<u>18</u>
Subtotal	<u>85</u>			<u>85</u>
Total	<u>107</u>		<u>1</u>	<u>108</u>

The Native American Institution Endowment authorized by Public Law 103–382, established an endowment fund for the 1994 land-grant institutions. Cooperative State Research, Education, and Extension Service (CSREE) is authorized to invest the funds of the Native American Institution Endowment in interest-bearing obligations of the United States.

The Agricultural Marketing Service (AMS) has the authority to invest in interest-bearing instruments. AMS invests its cash in excess of its short-term and mid-term needs, in the fully-collateralized Certificates of Deposit, in a variety of banks with maturities and rates negotiated daily.

## Note 5. Accounts Receivable

(U.S. dollars in millions)

	Allowance for Uncollectible Accounts				
	Gross Accounts Receivable	Beginning Balance	Additions (Reductions)	Ending Balance	Net Accounts Receivable
Accounts Receivable for Use by Entity					
Federal					
A/R Revenue, Refund, Reimburse- ments	260				260
Reimbursable Agreements	(12)				(12)
Treasury & Other Federal Agencies	50				50
Salaries and Expenses	51				51
Eliminations	<u>(41)</u>				<u>(41)</u>
Subtotal	<u>308</u>				<u>308</u>
Non-Federal					
A/R Revenue, Refund, Reimburse- ments	311	1	33	34	277
Claims Receivable	72	61	(8)	53	19
Claims Originating in State Offices	257	1		1	256
Interest Receivable	43	39	1	40	3
Producer Overpayments & Other Claims	140	6	1	7	133
Other	62	3		3	59
Less Offset in Deferred Receivables	(39)				(39)
Producers	<u>1,060</u>	<u>4</u>	<u></u>	<u>4</u>	<u>1,056</u>
Subtotal	<u>1,906</u>	<u>115</u>	<u>27</u>	<u>142</u>	<u>1,764</u>
Total Accounts Receivable for Use by Entity	<u>2,214</u>	<u>115</u>	<u>27</u>	<u>142</u>	<u>2,072</u>
Accounts Receivable Not for Use by Entity					
Federal					
A/R Revenue, Refund, Reimbursements	25				25
General Funds	<u>2</u>				<u>2</u>
Subtotal	<u>27</u>				<u>27</u>
Non-Federal					
A/R Revenue, Refund, Reimbursements	58	2	1	3	55
Marketing Quota Penalties	37	35		35	2
General Funds	<u>3</u>	<u></u>	<u></u>	<u></u>	<u>3</u>
Subtotal	<u>98</u>	<u>37</u>	<u>1</u>	<u>38</u>	<u>60</u>
Total Accounts Receivable Not for Use by Entity	<u>125</u>	<u>37</u>	<u>1</u>	<u>38</u>	<u>87</u>
Total Accounts Receivable	<u>2,339</u>	<u>152</u>	<u>28</u>	<u>180</u>	<u>2,159</u>

Accounts receivable are monies due from individuals, nonfederal parties, and other federal entities, adjusted by an allowance for uncollectible amounts. The receivables result from reimbursable, revenue, and refund activities. Receivables related to direct or guaranteed loans are reported separately on the Balance Sheet and details are reported in Note 7.

Nonfederal receivables are adjusted by a valuation allowance, based on historical collection and write-off information, which reduces the receivables to their net realizable value.

## Note 6. Other Assets

(U.S. dollars in millions)

### Other Assets for Use by Entity

#### Federal

Internal USDA Agency Advances	2
Advances and Prepayments	535
Eliminations	<u>(517)</u>

Total	<u>20</u>
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#### Non-Federal

Investment and Loan Sale Asset Trust	35
Advances and Prepayments	103
Other	<u>2</u>

Total	<u>140</u>
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### Other Assets Not for Use by Entity

#### Federal

Other	<u>72</u>
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Total	<u>72</u>
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Other Assets in September 30, 2000, include advances to other Federal agencies as well as advances to individuals and other nonfederal parties.

## Note 7. Credit Program Receivables and Related Foreclosed Property, Net

(U.S. dollars in millions)

### Accounting Policy – Present Value (PV) Disclosure

Direct loan obligation or loan guarantee commitments made prior to FY 1992 and the resulting direct loans or loan guarantees are reported at net present value or net realizable value.

Direct loan obligations or loan guarantee commitments made after FY 1991, and the resulting direct loan or loan guarantees, are governed by the Federal Credit Reform Act. The Act requires agencies to estimate the cost of direct loans and loan guarantees at present value for the budget. Additionally, the

present value of the subsidy costs (i.e., interest rate differentials, interest subsidies, delinquencies and defaults, fee offsets and other cash flows) associated with direct loans and loan guarantees are recognized as a cost in the year the loan or loan guarantee is disbursed. The net present value of loans or defaulted guaranteed loans receivable at any point in time is the amount of the gross loan or defaulted guaranteed loans receivable less the present value of the subsidy at that time.

### *Loans Subject to Credit Reform*

#### *Summary Schedule*

	Loan/Credit Receivable, Gross	Interest Receivable, Gross	Foreclosed Property, Gross	Related Allowance	Program Receivable, Net
Agriculture Credit Insurance Fund (ACIF)	9,241	400	76	1,193	8,524
P.L. 480 Title I	10,762	136		6,760	4,138
Enterprise for the Americas	52			30	22
Food for Progress	509	11		370	150
Export Credit Guarantee Programs	7,327	73		4,362	3,038
Rural Housing Service	29,218	118	63	7,936	21,463
Rural Utilities Service	39,091	393		3,367	36,117
Rural Business & Coop Service	549	5		176	378
BRLF	<u>10</u>	<u></u>	<u></u>	<u></u>	<u>10</u>
Total	<u>96,759</u>	<u>1,136</u>	<u>139</u>	<u>24,194</u>	<u>73,840</u>

### *Loan Programs Exempt from Credit Reform*

	Gross, Receivable	Allowance	Net Receivable
Domestic	3,305	256	3,049
Foreign	<u>412</u>	<u>77</u>	<u>335</u>
Total Loans Receivable Exempt from Credit Reform	<u>3,717</u>	<u>333</u>	<u>3,384</u>

### **The Department operates the following loan and/or loan guarantee programs:**

The Agricultural Credit Insurance Fund (ACIF) provides loans for farm ownership, operations, and emergencies.

The purpose of the Agricultural Resource Conservation Demonstration Program (ARCD) (Farms for the Future) is to assist states in financing a farmland protection effort to preserve our vital farmland resources for future generations. This purpose is achieved through guarantee of prompt payments and interest assistance on loans used to purchase development rights' easements and other types of easements on farmland, the purchase of farmland in fee simple, and related activities.

The Agricultural Trade Development and Assistance Act of 1954 (Public Law 480) provides foreign credit to promote agricultural trade, provides humanitarian relief, and aids in the economic advancement of developing countries. Direct credits are extended for P.L. 480 under Title I, the Enterprise for the Americas Initiative, and Russia Food from Progress program.



The Bureau of Reclamation Loan Fund (BRLF) is authorized by Section I of the 1977 Drought Emergency Act, to make loans to irrigators for the purpose of undertaking construction, management, conservation activities, or the acquisition and transportation of water, which can be expected to have an effect in mitigating losses and damages resulting from the 1976–1977 drought period.

The Export Credit Guarantee Program guarantees payment due U.S. exporters or their assignees from certain foreign banks on loans made for the purchase of agricultural commodities.

*Direct Loans Obligated Prior to FY 1992*

Loan Programs	Loan Receivable, Gross	Interest Receivable, Gross	Foreclosed Property, Gross	Allowance for CPR (PV)	Credit Program Receivable (NPV)
ACIF	5,304	327	71	937	4,765
P.L. 480 Title I	8,573	107		5,143	3,537
Rural Housing Service	173,221	80	48	5,180	168,169
Rural Business & Coop Service	71			27	44
Rural Utilities Service	<u>27,796</u>	<u>214</u>	<u></u>	<u>2,190</u>	<u>25,820</u>
Total	<u>214,965</u>	<u>728</u>	<u>119</u>	<u>13,477</u>	<u>202,335</u>

*Direct Loans Obligated After FY 1991*

Loan Programs	Loan Receivable, Gross	Interest Receivable, Gross	Foreclosed Property, Gross	Allowance for CPR (PV)	Credit Program Receivable (NPV)
ACIF	3,937	73	5	257	3,758
P.L. 480 Title I	2,189	29		1,617	601
Enterprise for the Americas	52			30	22
Food for Progress	509	11		370	150
Rural Housing Service	11,896	37	15	2,756	9,192
Rural Utilities Service	11,295	79		1,177	10,197
Rural Business & Coop Service	477	5		149	333
Farm Storage Facility loan Program	<u>10</u>	<u></u>	<u></u>	<u></u>	<u>10</u>
Total	<u>30,365</u>	<u>234</u>	<u>20</u>	<u>6,356</u>	<u>24,263</u>

*Default on Pre-1992 Guaranteed Loans*

Loan Guarantee Programs	Defaulted Guarantee Loans Receivable, Gross	Interest Receivable, Gross	Allowance for Subsidy Cost (PV)	Credit Program Receivable (NPV)
Export Credit Guarantee Programs	<u>5,566</u>	<u>55</u>	<u>6,768</u>	<u>(1,147)</u>
Total	<u>5,566</u>	<u>55</u>	<u>6,768</u>	<u>(1,147)</u>

*Default on Post-1991 Guaranteed Loans*

Loan Guarantee Programs	Defaulted Guarantee Loans Receivable, Gross	Interest Receivable, Gross	Allowance for Subsidy Cost (PV)	Credit Program Receivable (NPV)
Export Credit Guarantee Programs	<u>1,761</u>	<u>18</u>	<u>1,957</u>	<u>(178)</u>
Total	<u>1,761</u>	<u>18</u>	<u>1,957</u>	<u>(178)</u>

*Guaranteed Loans Outstanding*

Loan Programs	Outstanding Principal Guarantee Loans, Face Value	Amount of Outstanding Principal Guaranteed
ACIF Liquidating	449	375
ACIF Financing	8,415	7,148
ARCD Liquidating	24	24
Export Credit Guarantee Programs	4,458	4,351
Rural Housing Service	11,547	10,373
Rural Utilities Service	570	545
Rural Business & Coop Service	<u>3,189</u>	<u>2,531</u>
Total	<u>28,652</u>	<u>25,347</u>

*Liability for Loans Guarantees*

Loan Programs	Liability for Losses on Pre-1992 Guarantees	Liabilities for Post-1991 Loan Guarantee (PV)	Total Liabilities for Loan Guarantees
ACIF Liquidating	47		47
ACIF Financing		121	121
ARCD Liquidating		3	3
Export Credit Guarantee Programs		317	317
Rural Housing Service	2	377	379
Rural Business & Coop Service		196	196
Rural Utilities Service	<u>21</u>		<u>21</u>
Total	<u>70</u>	<u>1,014</u>	<u>1,084</u>

*Subsidy Expense for Post-1991 Loans and Credit Receivables**Current Year's Direct Loans*

Loan Programs	Interest Differential	Defaults	Fees	Other	Total
ACIF	14	66	(283)	285	82
P.L. Title I	254	228			482
RD	<u>346</u>	<u>22</u>	<u>(102)</u>	<u>78</u>	<u>344</u>
Total	<u>614</u>	<u>316</u>	<u>(385)</u>	<u>363</u>	<u>908</u>

*Direct Loan Modifications and Re-estimates*

Loan Programs	Re-estimates
ACIF	(731)
RD	(3)
PL 480, Title I	132
Food For Progress	<u>9</u>
Total	<u>(593)</u>

*Total Direct Loan Subsidy Expenses*

Loan Programs	Total
ACIF	(649)
P.L. Title I	613
RD	341
Food For Progress	<u>9</u>
Total	<u>314</u>

*Subsidy Expense for Post-1991 Loan Guarantees*  
*Current Year's Loan Guarantees*

Loan Programs	Defaults	Fees	Interest Supplement	Other	Total
ACIF	52	(13)	52	(3)	88
Export Credit Guarantee Programs	232	(21)			211
RD	<u>82</u>	<u>(42)</u>	<u>5</u>	<u>(2)</u>	<u>43</u>
Total	<u>366</u>	<u>(76)</u>	<u>57</u>	<u>(5)</u>	<u>342</u>

*Loan Guarantee Modifications and Re-estimates*

Loan Programs	Re-estimates
ACIF	246
Export Credit Guarantee Programs	576
ARCD	3
RD	<u>248</u>
Total	<u>1,073</u>

*Total Loans Guarantee Subsidy Expenses*

Loan Programs	Total
ACIF	334
Export Credit Guarantee Programs	786
RD	290
ARCD	<u>3</u>
Total	<u>1,413</u>

*Administrative Expense*

Entity	Direct Loans and Loan Guarantees
ACIF	<u>217</u>
Total	<u>217</u>

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**Methodology for Accruing Interest Income**

Interest income on loans is accrued at the contractual rate on the balance. Various departmental lending programs provide for interest rates significantly less than the U.S. Treasury average interest rate. RD estimated that the net cumulative effect of reporting the unamortized discount would not cause a reduction in net loans receivable.

**Foreclosed Property**

Property is acquired largely through foreclosure and voluntary conveyance. Acquired properties associated with pre-1992 and post-1991 loans are reported at their market value at the time of acquisition. The projected future cash flows associated with acquired properties are used in determining the related allowance (at present value). As of September 30, 2000, FSA, FLP properties consist primarily of 388 farms and RD consists primarily of 1,233 rural single-family dwellings. The average holding period for these properties in inventory for FY 2000 was 52.5 months for FSA/FLP, and 18.8 months for RD. At the end of FY 2000, there were 973 borrowers for FSA/FLP, and 29,700 borrowers for RD, which foreclosure proceedings were in process. Certain properties can be leased to eligible individuals.

**Nonperforming Loans**

The unpaid principal balance of FSA, FLP loans, and RD loans in a non-performing status at fiscal year-end totaled \$3 billion. If interest had been reported on these non-performing loans, instead of reported only to the extent of the collections received, interest income would have increased by \$175.2 million, to a total of \$4.9 billion during FY 2000 and increased by \$1 billion during the entire delinquency.

The principal balances of CCC direct credit and credit guarantee receivables in a non-performing status at September 30, 2000, totaled \$3.6 billion. If interest had been reported on these non-performing receivables, instead of reported only to the extent of the collections received, direct credit and credit guarantee interest income would have increased by \$15.7 million to a total of \$1.4 billion in FY 2000. During the entire delinquency, if interest had been reported on these non-performing receivables, instead of reported only to the extent of the collections received, interest income would have increased by \$544 million.

Direct credit and credit guarantee receivables under rescheduling agreements as of September 30, 2000, were \$7.8 billion. Foreign credit rescheduling results through negotiations conducted through the Paris Club.

**Servicing Actions Available to Assist Financially Troubled Borrowers**

As discussed in Note 1, "Significant Accounting Policies," all three lending agencies restructure loans in order to provide a reduction or deferral of interest and/or principal because of deterioration in the financial position of the borrower. The principal amounts of these restructured loans as of September 30, 2000, for RD totaled \$9.4 billion, and FSA, FLP totaled \$165 million.

## Note 8. Inventory and Related Property

(U.S. dollars in millions)

<i>Goods Held Under Price Support and Stabilization Programs</i>	<i>Amount</i>
Beginning Balance	714
Acquired During the Year	2,425
Disposals During the Year	
Sales	1,580
Donations	465
Other Additions and Deductions	<u>(110)</u>
Gross Ending Balance	1,204
Related Allowance	<u>702</u>
Net Ending Balance	<u><u>502</u></u>
Amount Estimated to be Donated or Transferred During the Coming Period	562

Commodity loan forfeitures during the fiscal year ended September 30, 2000, were \$334 million.

### Restrictions on Commodity Inventory

In accordance with the Agricultural Act of 1970, as amended, USDA may establish, maintain, and dispose of a separate reserve of inventories for the purpose of alleviating distress caused by a natural disaster. These inventories may consist of feed grains, soybeans, and wheat. The amount held in reserve cannot exceed 20 million bushels (P.L. 105–18). USDA maintains a required commodity reserve for use when domestic supplies are so limited that quantities cannot meet the availability criteria under P.L. 480. In addition, if commodities that meet unanticipated needs under Title II of P.L. 480 cannot be made available in a timely manner, the Secretary may release up to 500,000 metric tons of wheat or an equivalent value of eligible commodities, plus up to 500,000 metric tons of eligible commodities that could have been released, but were not released, under this authority in prior fiscal years. Commodities are to be used solely for emergency food assistance in developing countries. As a result of the Federal Agricultural Improvement and Reform Act of 1996, the reserve may include rice, corn, and sorghum, as well as wheat. The reserve is established at 4 million metric tons and is replenished through purchases or by designation of commodities owned by USDA. The authority to replenish the reserve expires at the end of FY 2002. As of September 30, 2000, CCC had committed over 5.5 million hundredweight of refined sugar from CCC's inventory to be used as a payment-in-kind for a sugar diversion program. This refined sugar in CCC's inventory is valued at almost \$105 million. CCC inventory sugar will be given to sugar producers in exchange for their diverting current year production. The level of exchange was established as a result of an offer made by the producer and accepted by CCC. The sugar will be made available to sugar on their behalf. The sugar will be released to the processors at approximately the same time the commodity would have normally entered the market to minimize its impact.

<i>Inventories</i>	<i>Inventory Amount</i>
Inventory Held for Current sale	<u>3</u>
Total Inventory	<u>3</u>
<i>Operating Materials and Supplies</i>	<i>Amount</i>
Items Held for Use	<u>76</u>
Total Operating Materials and Supplies	<u>76</u>

Valuation Methods: The majority of operating supplies and materials, inventories are valued based on the weighted average method. The operating supplies and materials inventory maintained for emergency fire fighting are valued at GSA catalog prices as of January 1, 2000. This valuation method may approximate historical costs, depending on the extent that the emergency fire fighting inventory stock is depleted each year because of the severity of the fire season.

Allowances: Management has established no allowance against these balances because operating material and supplies that are not usable due to spoilage, obsolescence, damage, etc., are considered to be immaterial.

## Note 9. General Property, Plant and Equipment

(U.S. dollars in millions)

### Existing General Property, Plant and Equipment

Classes	Cost	Accumulated Depreciation	Book Values	Estimated Useful Life**	Method of Depreciation*
Personal Property					
ADP Hardware	181	139	42	various	SL
Equipment	1,382	882	500	various	SL
Vehicles	125	78	47	1–5	SL
Other	31	23	8	4–15	SL
Real Property					
Buildings	1,139	555	584	>20	SL
Land	68		68		
Roads and Bridges	7,699	3,682	4,017	>20	SL
Other	<u>154</u>	<u>58</u>	<u>96</u>	various	SL
Subtotal	<u>10,779</u>	<u>5,417</u>	<u>5,362</u>		

### General Property, Plant, and Equipment Reevaluated in Year of Implementation

Classes	Cost	Accumulated Depreciation	Book Value	Estimated Useful Life**	Method of Depreciation*
Personal Property					
Equipment	<u>32</u>	<u>11</u>	<u>21</u>	various	SL
Subtotal	<u>32</u>	<u>11</u>	<u>21</u>		
Total General Property, Plant, and Equipment	<u>10,811</u>	<u>5,428</u>	<u>5,383</u>		

*Depreciation Methods	**Range of Service Life	
SL – Straight Line	1 – 5	1 to 5 years
DD – Double-Declining Balance	6 – 10	6 to 10 years
SY – Sum of the Years' Digits	11 – 20	11 to 20 years
IN – Interest (sinking fund)	>20	over 20 years
PR – Other (describe)		

Property, plant, and equipment are recorded at acquisition cost plus any expenditures, such as freight, installation or testing, related to placing the asset into service. Purchases of property, plant, or equipment valued at \$5,000 or more, including stewardship assets, with a useful life greater than 2 years, are capitalized. All other purchases of property, plant, or equipment are fully expensed in the year of acquisition.

USDA manages approximately 192 million acres of public land known as the National Forest System. In accordance with federal government accounting guidance for stewardship assets, USDA assigns no value to the public land it administers. The required supplemental stewardship information provides additional information concerning public land.

## Note 10. Debt

(U.S. dollars in millions)

	Beginning Balance	Net Borrowing	Ending Balance
Agency Debt			
Held by the Public	<u>266</u>	<u>(176)</u>	<u>90</u>
Total Agency Debt	266	(176)	90
Other Debt			
Debt to the Treasury	55,986	(3530)	52,456
Debt to the Federal Financing Bank	<u>29,019</u>	<u>(2757)</u>	<u>26,262</u>
Total Other Debt	<u>85,005</u>	<u>(6,287)</u>	<u>78,718</u>
Total Debt	<u>85,271</u>	<u>(6,463)</u>	<u>78,808</u>
Classification of Debt			
Federal Debt		78,718	
Non-Federal Debt		<u>90</u>	
Total Debt		<u>78,808</u>	

The Secretary of Agriculture is authorized under Title 7, U.S.C., to make and issue notes to the Secretary of the Treasury for the purposes of obtaining funds necessary for discharging obligations of the crop insurance fund, unrealized losses and debt related to the foreign assistance programs.

Interest on permanent indefinite borrowing authority from Treasury is paid at a rate based upon the average interest rate of all outstanding marketable obligations (of comparable maturity date) of the

United States as of the preceding month. Monthly interest rates ranged from 5.25 percent to 6.25 percent during FY 2000. Interest expense incurred on these borrowings was \$572 million for FY 2000.

The FY 2000 interest rate on long-term borrowings under the permanent indefinite borrowing authority for the foreign assistance programs was 6.36 percent. This is the annual weighted average interest rate computed by OMB and used uniformly by all government entities, unless specific exemptions apply. A quarterly rate is determined by OMB and then a weighted average rate is calculated at year-end and applied retroactively to all borrowings from October 1 of the preceding year.

During FY 2000, the terms for borrowings made for the export credit guarantee programs were at least 10 years, while the repayment terms for the P.L. 480 program were 30 years. Interest expense incurred on borrowings associated with these programs amounted to \$106 million for FY 2000.

## **Note 11. Liabilities For Environmental Cleanup Costs**

Under the provisions of the Comprehensive Environmental Response, Compensation and Liability Act (CERLA), the Clean Water Act (CWA), and the Resource Conservation and Recovery Act (RCRA), and the Forest Service anticipates cleaning up hazardous materials on Forest Service lands. The Forest Service estimates that clean-up costs for sites on National Forest System lands are \$2.5 billion. Of this amount approximately \$1.8 billion relates to abandoned mine lands and \$200 million relates to landfills and miscellaneous sites. The remaining \$500 million is attributed to costs relating to RCRA.

These estimates are tentative and sensitive to changes in remedy standards and new technology. The site discovery and assessment process will continue for several more years. The actual number of sites discovered and the estimates of related clean-up costs will continually change as the process continues. This estimate also does not reflect anticipated cost recovery from or contribution to clean-up cost by responsible parties because the amounts are highly speculative. There is a reasonable possibility, however that parties other than the Forest Service will pay some of the clean-up costs.



## Note 12. Other Liabilities

(U.S. dollars in millions)

### Other Liabilities Covered by Budgetary Resources

	Non-Current	Current	Total
Federal			
Treasury General Receipts Fund		1,740	1,740
Deposit & Trust Liabilities		577	577
Unearned Revenue		179	179
Accrued Funded Payroll & Benefits	1	25	26
Advances to Others		27	27
Other		240	240
Accrued Program Liabilities		6	6
Elimination		(455)	(455)
Total	<u>1</u>	<u>2,339</u>	<u>2,340</u>
Non-Federal			
Deposit & Trust Liabilities		814	814
Accrued Program Liabilities	3	1,666	1,669
Reserve for Reinsurance Losses		353	353
Estimated Losses on Insurance Claims		1,311	1,311
Unearned Revenue		225	225
Stock Payable to RTB Borrowers		1,063	1,063
Accrued Funded Payroll & Benefits	3	125	128
Advances to Others / Amount Due Investors		10	10
Other	102	409	511
Reserve for Contingent Liabilities		3	3
Total	<u>108</u>	<u>5,979</u>	<u>6,087</u>

### Other Liabilities Not Covered by Budgetary Resources

Federal			
Accrued Funded Payroll & Benefits		32	32
Custodial Liability		2	2
FECA	339	63	402
Other	<u>33</u>	<u>393</u>	<u>426</u>
Total	<u>372</u>	<u>490</u>	<u>862</u>
Non-Federal			
Accrued Program Liabilities		1,671	1,671
Custodial Liabilities	4	6	10
FLP Contingent Liabilities		251	251
Other	<u>1</u>	<u>217</u>	<u>218</u>
Total	<u>5</u>	<u>2,145</u>	<u>2,150</u>

Other Liabilities include accrued liabilities for payroll and benefits, contingent liabilities, and other accrued liabilities. Other Liabilities covered by budgetary resources include Rural Development's reported amount of \$1 billion in stock payable to Rural Telephone Bank Borrowers.

## Note 13. Lease Liabilities

(U.S. dollars in millions)

### Operating Leases

Future Payments Due	Asset Category		Totals
	(1)	(2)	
<b>Fiscal Year</b>			
2001	104	7	111
2002	109	6	115
2003	113	8	121
2004	119	5	124
2005	125	4	129
After 5 Years	<u>1,565</u>	<u>7</u>	<u>1,572</u>
Total Future Lease Payments	<u>2,135</u>	<u>37</u>	<u>2,172</u>

Projected liabilities for operating leases relate primarily to leased space. USDA agencies rent space from the General Services Administration (GSA), which charges rates that are intended to approximate commercial rental rates. GSA space can be canceled in 120 days. Forest Service rents commercial buildings and office space for terms that range from one to fifteen years. USDA agencies have no capital leases.

## Note 14. Unexpended Appropriations

(U.S. dollars in millions)

### Unexpended Appropriations

Unobligated	
Available	3,590
Unavailable	17,367
Undelivered Orders	<u>9,335</u>
Total	<u>30,292</u>

USDA's Net Position consists of Unexpended Appropriations and Cumulative Results of Operations. Unexpended Appropriations consist of appropriated spending authority that is unobligated and has not been withdrawn by Treasury, as well as obligations that have not been paid. Cumulative Results of Operations are the excess of financing sources over expenses for a budget account since its inception.

## Note 15. Contingencies And Commitments

### **Contingencies**

Most legal actions that affect USDA and involve an amount in excess of \$2,500, fall under the Federal Tort Claims Act and are paid from the Claims and Judgments Fund maintained by the Department of Treasury. USDA is not required to reimburse this Fund for payments made on its behalf. Pursuant to the guidance contained in SFFAS Number 5, USDA recognizes an expense and liability for all contingent liabilities determined to be probable. Those contingent liabilities that meet the requirements for disclosure, but not recognition, are disclosed below. Once the claim is settled or court judgment is assessed against USDA, and the Judgment Fund is determined to be the appropriate source for payment of claims, USDA records an imputed financing source. During FY 2000, approximately \$46.7 million was paid from the Fund to settle actions against USDA.

### **Commodity Credit Corporation (CCC)**

The Federal Agricultural Improvement and Reform Act of 1996 replaced acreage reduction programs with production flexibility contract payments. These payments are made on a fixed payment schedule over 7 years. CCC paid \$5 billion during FY 2000, with \$8 billion remaining to be paid over the next 3 years.

Under Wetlands Reserve Program (WRP), CCC purchases easements, based on agricultural value, to restore wetlands that have previously been drained and converted to agricultural uses, to protect the wetlands, or to enhance wetlands on the property. WRP also provides an opportunity for landowners to receive cost share payments to restore, protect, or enhance a wetland without selling an easement. Program expenses for the fiscal year ended September 30, 2000, were 11.5 million. At September 30, 2000, CCC's estimated future liabilities were \$200 million.

The Noninsured Assistance Program (NAP) was authorized as a CCC program under the 1996 Act and is a standing crop disaster aid program for crops that are not covered by catastrophic risk protection crop insurance. Program expenses for the fiscal year ended September 30, 2000, were \$38 million. It is estimated that CCC's annual payments for this program could range from \$90 million to \$140 million.

Commitments to acquire commodities represent the contract value of commodities not yet delivered under CCC purchase contracts. Commodity contracts amounted to \$330 million at September 30, 2000.

The Dairy Export Incentive Program is authorized under the Food Security Act of 1985 to facilitate export of U.S. dairy products. Under this program, CCC pays the exporter a bonus when necessary to enable an exporter to sell the product at a competitive world price. Program expenses were approximately \$113 million for FY 2000. On September 30, 2000, CCC estimated its future liabilities to be \$34 million.

The Corporation formerly operated approximately 4,500 grain storage facilities in the United States. To date, at approximately 120 of these facilities, carbon tetrachloride (a fumigant commonly used at grain storage facilities during that time) was discovered in ground water. As of September 30, 2000, the Environmental Protection Agency has designated CCC as the potentially responsible party for ground water contamination near 4 of the former 120 CCC grain storage locations. CCC is undertaking site investigations at these and other former locations. USDA roughly estimates the total

cost of this effort (including site inspection and cleanup, as well as operations and maintenance) to be \$34 million for the FY's 2000 through 2003. Of this amount, the Department is expected to provide funding of \$12 million under the ongoing department-wide hazardous waste management program. However, this amount is contingent on the amount actually appropriated to the USDA Hazardous Waste Fund and subsequently allotted to CCC. Potential costs are extremely difficult to estimate until site investigations are completed. CCC intends to monitor the cost estimate and make revisions as necessary.

The Market Access Program was authorized by the Agriculture Trade Act of 1978, as amended, to encourage the development, maintenance, and expansion of commercial export markets for agricultural commodities through cost-share assistance to eligible trade organizations that implement a foreign market development program. CCC makes funds available to reimburse program participants for authorized promotional expenses. Program expenses for the fiscal year ended September 30, 2000, were \$94 million. At September 30, 2000, CCC estimated its future liabilities could range up to \$159 million.

### **Farm Service Agency (FSA)**

Timothy Pigford, et al. v. Dan Glickman, is a class action brought by African-American farmers who filed administrative discrimination complaints with USDA between 1983 and February 21, 1997, alleging race discrimination in Farmers Home Administration/FSA farm programs. This matter has been settled. The consent decree provides a system under which plaintiffs will have their claims heard by a third party who will direct the relief to be provided.

Cecil C. Brewington, et al. v. Dan Glickman is a case closely related to Timothy Pigford et al. v. Dan Glickman, where a class action was brought by African-American farmers who filed administrative discrimination complaints with USDA, between 1983 and February 21, 1997, alleging race discrimination in FSA farm programs. This matter has been settled. The consent decree provides a system under which plaintiffs will have their claims heard by a third party who will direct the relief to be provided.

Garcia v. Glickman, Civil Action No. 1:00CV02445 (D.D.C.). This class action complaint alleges discrimination under the Equal Credit opportunity Act and Title VI of the Civil Rights Act of 1964 in the access to and participation in USDA's farm programs. In addition the complaint alleges that USDA failed to process properly the civil rights complaints of Hispanic Americans. The complaint was filed on behalf of all Hispanic Americans participants in FSA's farm programs who petitioned the USDA at any time between January 1, 1981 through November 24, 1999, for relief from acts of racial discrimination visited on them as they tried to participate in the farm programs. The case is in the early stages of litigation. The government has filed a Motion to Dismiss and a Motion to Strike the Class Allegations. Opposing counsel has requested relief in the amount of \$20 billion.

Keepseagle v. Glickman, Civil Action No. 1:00CV02445 (D.D.C.). This class action complaint alleges discrimination under the Equal Credit opportunity Act and Title VI of the Civil Rights Act of 1964 in the access to and participation in USDA's farm programs. In addition the complaint alleges that USDA failed to process properly the civil rights complaints of Native Americans. The complaint was filed on behalf of all Native Americans participants in FSA's farm programs who petitioned the USDA at any time between January 1, 1981 through November 24, 1999, for relief from acts of racial discrimination visited on them as they tried to participate in the farm programs. Senior District Judge William Bryant held a hearing on the issue of class certification and a hearing on the

Government's motion for Summary Judgment. The parties are awaiting decisions on these issues. The government is vigorously opposing class certification in this case. Opposing counsel has requested relief in the amount of \$19 billion.

*Love v. Glickman*, Civil Action No. 1:00CV02502 (D.D.C.). This class action complaint alleges discrimination under the Equal Credit Opportunity Act and Title VI of the Civil Rights Act of 1964 in the access to and participation in USDA's farm programs. In addition the complaint alleges that USDA failed to process properly the civil rights complaints of women, minorities, and other "protected" farmers. The complaint was filed on behalf of all women, minorities, and other "protected" farmers participants in FSA's farm programs who petitioned the USDA at any time between January 1, 1981 through November 24, 1999, for relief from acts of racial discrimination visited on them as they tried to participate in the farm programs. The case is in the early stages of litigation. The government is vigorously opposing class certification in this case. Opposing counsel has requested relief in the amount of \$3 billion.

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

FCIC is a defendant in various litigation cases arising in the normal course of business. Management has recorded a liability in the financial statements for the estimated settlement amount of these cases based on its best estimate at the time of financial statement preparations. Furthermore, in order to defend its policies and procedures, FCIC may, in some instances, pay litigation expenses and judgments over and above indemnities found to be due under the Standard Reinsurance Act for reinsured companies. For this reason, FCIC is consulted with and approves significant decisions in the litigation process. In exchange for FCIC consideration, the reinsurance companies reimburse the FCIC an amount equal to 50 percent of the expense reimbursement due the reinsured companies on such policies.

### **Food and Nutrition Service (FNS)**

FNS is a party in various administrative proceedings, legal actions, and claims brought by or against it. In the opinion of FNS management and the Department of Agriculture's legal counsel, the ultimate resolution of these proceedings, actions, and claims will not materially affect FNS' assets, liabilities, net cost of operations, changes in net position or budgetary resources for the current fiscal year.

### **Forest Service (FS)**

FS is a party to various administrative proceedings, legal actions, and claims. As of September 30, 2000, the following claims with amounts, individually or in aggregate, of \$10 million or more are pending resolution. There are six claims with unfavorable outcomes. In the first claim, concerning the cancellation of special use permits, counsel considers an adverse decision probable and estimates approximately \$28.4 million plus interest. In the other claims, counsel considers an adverse decision reasonably possible and estimates approximately \$131.1 million plus interest. In addition, the Forest Service is liable for \$168 million related to the contracts Dispute Resolution Act.

### **Other USDA**

*Rose Acre Farms, Inc. v. United States*, Court of Federal Claims No. 92-710C. On April 2, 1999, Rose Acre Farms produced an economic analysis that claims that \$29.9 million in Rose Acre's economic value (including interest) was destroyed due to the USDA SE regulations. Discovery is currently scheduled to close in mid-February, 2001. The United States currently expects this matter to be set for trial in 2001.

## Commitments

### Contracts Under Conservation Reserve Program (CRP)

Through CRP, participants sign 10–15 year contracts to remove land from production in exchange for an annual rental payment. The participants also receive a one-time payment of 50 percent of the eligible costs of establishing vegetative cover on the reserve acreage. CCC estimates that the future liability for CRP annual rental payments through year 2010 is \$18 billion. This estimate is based on current program levels with the assumption that expiring lands are re-enrolled or replaced with lands of equal value. At September 30, 2000, accrued payments totaled \$1.7 billion.

### Hazardous Waste Cleanup

Under the provisions of the Comprehensive Environment Response, Compensation, and Liability Act (CERCLA), the Clean Water Act (CWA), and the Resource Conservation and Recovery Act (RCRA), the Forest Service anticipates cleaning up hazardous materials on Forest Service land. The Forest Service estimates the cleanup costs for sites on National Forest System lands are \$2.5 billion. Of this amount, approximately \$1.8 billion relates to abandoned mine lands and \$200 million relates to landfills and miscellaneous sites. The remaining \$500 million is attributed to costs relating to RCRA. These estimates are very tentative and sensitive to changes in remedy standards and new technology. The site discovery and assessment process will continue for several more years. The actual number of sites discovered and cleanup costs will continually change as the process continues. This estimate also does not reflect anticipated cost recovery from or contribution to cleanup costs by responsible parties because the amounts are highly speculative. There is a reasonable possibility, however, that some of the cleanup cost, will be paid by parties other than the FS.

### Operating Leases

The following is a schedule of future minimum rental payments required under FSA operating leases for which CCC is directly liable. The leases can be canceled after a period not to exceed 120 days.

Fiscal Year Ended September 30:

	U.S. Dollars in Millions
2001	4
2002 and thereafter	<u>3</u>
Total	<u><u>7</u></u>

Allocated rent expense net of reimbursements received on these leases was \$62 million for Fiscal Year 2000.

## Note 16. Supporting Schedules for the Statement of Net Cost

(U.S. dollars in millions)

### USDA Consolidated

	Farm and Foreign Agricultural Services	Food, Nutrition, and Consumer Service	Food Safety	Marketing and Regulatory Programs	Natural Resources and Environment
Program Costs					
Federal	2,335	551	246	740	1,107
Non-Federal					
Grants and Transfers	28,633	31,120	31	96	94
Other Program Costs	<u>6,465</u>	<u>675</u>	<u>568</u>	<u>975</u>	<u>4,797</u>
Total Program Production Costs	37,433	32,346	845	1,811	5,998
Less Earned Revenues	<u>3,893</u>	<u>33</u>	<u>102</u>	<u>546</u>	<u>901</u>
Excess Production Costs Over Revenues	33,540	32,313	743	1,265	5,097
Non-Production Costs					
Acquisition Cost of Stewardship Land	113				181
(Gain) or Loss on Disposition of Assets	(1)				
Net Program Costs	<u>33,652</u>	<u>32,313</u>	<u>743</u>	<u>1,265</u>	<u>5,278</u>
Costs Not Assigned to Program	14	30		56	
Net Cost of Operations	<u>33,666</u>	<u>32,343</u>	<u>743</u>	<u>1,321</u>	<u>5,278</u>

## Note 16. Supporting Schedules for the Statement of Net Cost

(U.S. dollars in millions)

### USDA Consolidated

	Rural Development	Research, Education, and Economics	Other USDA Agencies	Intra-USDA Eliminations	Total
Program Costs					
Federal	3,872	268	212	(1,149)	8,182
Non-Federal					
Grants and Transfers	1,763	586	1		62,324
Other Program Costs	<u>(1,019)</u>	<u>1,311</u>	<u>485</u>	<u>      </u>	<u>14,257</u>
Total Program Production Costs	4,616	2,165	698	(1,149)	84,763
Less Earned Revenues	<u>4,541</u>	<u>103</u>	<u>306</u>	<u>(286)</u>	<u>10,139</u>
Excess Production Costs Over Revenues	75	2,062	392	(863)	74,624
Non-Production Costs					
Acquisition Cost of Stewardship Land					294
(Gain) or Loss on Disposition of Assets					(1)
Net Program Costs	<u>75</u>	<u>2,062</u>	<u>392</u>	<u>( 863)</u>	<u>74,917</u>
Costs Not Assigned to Program	12	5			117
Net Cost of Operations	<u>87</u>	<u>2,067</u>	<u>392</u>	<u>(863)</u>	<u>75,034</u>



## Note 17. Earned Revenue

(U.S. dollars in millions)

	Farm and Foreign Agricultural Services	Food, Nutrition, and Consumer Service	Food Safety	Marketing and Regulatory Programs	Natural Resources and Environment
Earned Revenues from Non-Federal Parties					
Loan Program Interest Revenue	1,754				
Other Program Revenues	<u>1,716</u>	<u>33</u>	<u>102</u>	<u>244</u>	<u>371</u>
Total Earned Revenues from Non-Federal Parties	3,470	33	102	244	371
Earned Revenues from Federal Entities	<u>423</u>			<u>302</u>	<u>530</u>
Total Earned Revenues Attributed to Programs	<u><u>3,893</u></u>	<u><u>33</u></u>	<u><u>102</u></u>	<u><u>546</u></u>	<u><u>901</u></u>

### Loan Program Interest Revenue

The amount of subsidy expense in the Rural Development mission area on post-1991 Credit Reform direct loans equals the present value of estimated cash outflows over the life of the loan less the present value of cash inflows, discounted at the interest rate of marketable Treasury securities with a similar maturity term. A major component of subsidy expense is the interest subsidy cost/interest differential. This is defined as the excess of the amount of direct loans disbursed over the present value of the interest and principal payments required by the loan contracts, discounted at the applicable Treasury rate. One of the components of interest subsidy cost/interest differential is interest revenue. This interest revenue is earned from both federal and nonfederal sources and is recorded as earned revenue. Interest revenue also included interest earned on non-Credit Reform Loans and interest on invested (not yet loaned) funds at Treasury for both Rural Development and Farm Agriculture mission areas.

## Note 17. Earned Revenue

(U.S. dollars in millions)

	Rural Development	Research, Education, and Economics	Other USDA Services	Eliminations	Total
Earned Revenues from Non-Federal Parties					
Loan Program Interest Revenue	4,241				5,995
Other Program Revenues	<u>28</u>	<u>8</u>	<u>15</u>		<u>2,517</u>
Total Earned Revenues from Non-Federal Parties	4,269	8	15		8,512
Earned Revenues from Federal Entities	<u>272</u>	<u>95</u>	<u>291</u>	<u>(286)</u>	<u>1,627</u>
Total Earned Revenues Attributed to Programs	<u><u>4,541</u></u>	<u><u>103</u></u>	<u><u>306</u></u>	<u><u>(286)</u></u>	<u><u>10,139</u></u>

### Other Earned Revenue

Premium revenue in the Farm and Foreign Agriculture Service mission area is recognized as earned on a pro rata basis over each crop's growing season and is stated net of the underwriting gains which will be returned to reinsured companies. The portion of premium not recognized during a fiscal year (unearned premium) is classified as unearned revenue, nonfederal in the Balance Sheet. The portion of the premium subsidy not recognized is classified as federal unearned revenue in the Balance Sheet. The FCIC's risk of loss commences when the crop is planted and continues through the growing season until the crop is harvested, destroyed, or otherwise removed from the field. Premiums are generally collected at the end of the growing season when the crops are harvested. Under the Standard Reinsurance Act (SRA), the collection of producer premiums is the responsibility of the reinsured company. With respect to catastrophic policies, the premium is fully subsidized by the federal government and only a nominal administrative fee is collected from the farmer.

Forest Service in the Natural Resources Environment mission area assesses fees for grazing, land uses, mineral leases, recreation use, recreation special uses, and sales of timber and timber by-products. Most fees are based on full cost, except some land use fees that are established based on market value.

Agricultural Marketing Service in the Marketing and Regulatory Programs mission area charges fees for services rendered and goods sold. These services include inspection, grading and classing of food and non-food agricultural commodities, the licensing of dealers in perishable agricultural commodities, the oversight of agricultural research and promotion activities funded by industry assessments, and the granting of Plant Variety Protection certificates. The Animal and Plant Health Inspection Service in the Marketing and Regulatory Program mission area charges fees for services rendered and goods sold. These services include guarding United States borders against foreign agricultural pests and diseases, facilitation of agricultural exports through scientifically based sanitary and phytosanitary standards, and control of wildlife damage and protection of endangered species. The Farm Bill of 1990 authorized the Secretary of Agriculture to assess user fees for agricultural quarantine and inspection services provided for the arrival of international passengers, commercial aircraft, vessels, trucks, and railroad cars.

## Note 18. Total Cost and Earned Revenue by Budget Functional Classification

(U.S. dollars in millions)

Function Classification	Gross Cost	Intra-USDA Eliminations	Total Cost	Earned Revenue	Intra-USDA Eliminations	Total Revenue	Net Cost
151	1,087		1,087	297		297	790
271	583		583	1,946		1,946	(1,363)
301	290		290	24		24	266
302	5,450		5,450	819		819	4,631
303	239		239	30		30	209
304	17		17	4		4	13
351	37,130		37,130	3,847		3,847	33,283
352	4,328	2,202	2,126	1,057	636	421	1,705
371	1,333		1,333	1,551		1,551	(218)
451	10		10				10
452	2,133		2,133	1,044		1,044	1,089
453	65		65				65
554	812		812	98		98	714
604	558		558				558
605	32,960		32,960	34		34	32,926
806	199		199	24		24	175
Internal USDA Imputed Costs Not Recorded in the General Ledger	<u>181</u>		<u>181</u>				<u>181</u>
Total	<u>87,375</u>	<u>2,202</u>	<u>85,173</u>	<u>10,775</u>	<u>636</u>	<u>10,139</u>	<u>75,034</u>

### Intra-governmental Total Cost and Earned Revenue by Budget Functional Classification

Function Classification	Gross Cost	Earned Revenue	Net Cost
271	1,596	43	1,553
301	15	9	6
302	1,028	468	560
303	10	2	8
304	4		4
351	3,590	468	3,122
352	114	76	38
371	1,162	89	1,073
452	910	108	802
453	4		4
554	246	4	242
605		1	(1)
806		23	(23)
Total	<u>8,679</u>	<u>1,291</u>	<u>7,388</u>

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## Note 19. Disclosures Related to the Statement of Changes in Net Position

(U. S. dollars in millions)

	Farm and Foreign Agricultural Services	Food, Nutrition, and Consumer Service	Food Safety	Marketing and Regulatory Programs	Natural Resources and Environment
Net Cost of Operations (Note 16)	33,666	32,343	743	1,321	5,278
Financing Sources (other than exchange revenues):					
Appropriations Used	44,088	31,769	608	1,280	4,394
Taxes (and other non-exchange revenues)	12				
Donations (non-exchange revenue)				1	3
Imputed financing	617	566	28	87	207
Transfers-In	473			221	142
Transfers-Out	(2,002)			(221)	(216)
Other Financing Sources			42		(248)
Net Results of Operations	9,522	(8)	(65)	47	(996)
Net Results Not Affecting Net Position	(699)				
Prior Period Adjustments	1,693		(10)	(7)	3,430
Net Change in Cumulative Results of Operations	10,516	(8)	(75)	40	2,434
Increase (Decrease) in Unexpended Appropriations	(968)	(236)	41	317	95
Change in Net Position	9,548	(244)	(34)	357	2,529
Net Position—Beginning of Period	(32,326)	17,990	(123)	658	3,779
Net Position—End of Period	(22,778)	17,746	(157)	1,015	6,308

## Note 19. Disclosures Related to the Statement of Changes in Net Position

(U. S. dollars in millions)

	Rural Development	Research, Education, and Economics	Other USDA Agencies	Intra-USDA Eliminations	Total
Net Cost of Operations (Note 16)	87	2,067	392	(863)	75,034
Financing Sources (other than exchange revenues):					
Appropriations Used	2,332	1,935	343		86,749
Taxes (and other non-exchange revenues)					12
Donations (non-exchange revenue)		1			5
Imputed financing	73	66	30	(863)	811
Transfers-In			3		839
Transfers-Out	(30)		(4)		(2,473)
Other Financing Sources					(206)
Net Results of Operations	2,288	(65)	(20)		10,703
Net Results Not Affecting Net Position	(2,314)				(3,013)
Prior Period Adjustments	(3)		(3)		5,100
Net Change in Cumulative Results of Operations	(29)	(65)	(23)		12,790
Increase (Decrease) in Unexpended Appropriations	15	262	(66)		(540)
Change in Net Position	(14)	197	(89)		12,250
Net Position—Beginning of Period	4,449	1,619	217		(3,737)
Net Position—End of Period	4,435	1,816	128		8,513

### Prior Period Adjustments

(U. S. dollars in millions)

Cleanup Costs	(7)
Property, Plant and Equipment	3,760
FECA	(19)
P.L. 480 and GSM	1,681
Other	(315)
Total Prior Period Adjustments	5,100

Consistent with federal accounting guidance in the Intragovernmental Fiduciary Transactions Accounting Guide, dated September 9, 1999, the accrued unfunded Federal Employees' Compensation Act (FECA) liability and related expenses were calculated as of September 30, 2000.

Forest Service has undertaken an aggressive agency-wide project to verify its property, plant, and equipment (PP&E), inventory balances and asset valuation. As a result of this project, and so that the general ledger would be supported by subsidiary asset systems, adjustments were made to general PP&E and stewardship land of \$2 billion and \$181 million respectively.

Statement of Federal Financial Accounting Standards Number 7, "Accounting for Revenue and Other Financing Sources," indicates that appropriation, which will be realized in a subsequent year, should not be accrued as a receivable. Credit Reform programs received appropriation in the year following that for which subsidy expense was re-estimated resulting in increased expense.

## Note 20. Disclosures Related to the Statement of Budgetary Resources

(U.S. dollars in millions)

Budgetary Resources Obligated for Undelivered Orders, End of Period	23,070
Available Borrowing and Contract Authority, End of Period	34,183
Adjustments to Budgetary Resources Available at the Beginning of the Year	
Recoveries of Prior Year obligations	1,628
Redemption of Debt	(61,412)
Cancellations of Expired Accounts	(3,324)
Other Authority Withdrawn	(601)
Funds Returned by 2108	(32)
Other	(8)
Recission Current Year	(18)
Total Adjustments	<u>(63,767)</u>

### Repayment Requirements, Financing Sources for Repayment, and Other Terms of Borrowing

USDA has a permanent indefinite borrowing authority, as defined by OMB Circular A-11, Preparation and Submission of Budget Estimates. The Secretary of Agriculture has the authority to make and issue notes to the Secretary of Treasury for the purpose of discharging obligations for RD's insurance funds and CCC's nonreimbursed realized losses and debt related to foreign assistance programs.

The permanent indefinite borrowing authority includes both interest bearing and non-interest notes. These notes are drawn upon daily when disbursements exceed deposits. Notes payable under the permanent indefinite borrowing authority have a term of one year. On January 1 of each year, USDA refinances its outstanding borrowings, including accrued interest, at the January borrowing rate.

In addition, USDA has permanent indefinite borrowing authority for the foreign assistance and export credit programs to finance disbursements on post-credit reform, direct credit obligations, and credit guarantees. In accordance with credit reform, USDA borrows from Treasury on October 1, for the entire fiscal year, based on annual estimates of the difference between the amount appropriated (subsidy) and the amount to be disbursed to the borrower. Repayment under this agreement may be, in whole or in part, prior to maturity by paying the principal amount of the borrowings plus accrued interest to the date of repayment. Interest is paid on these borrowings based on weighted average interest rates for the cohort, to which the borrowings are associated. Interest is earned on the daily balance of uninvested funds in the credit reform financing funds maintained at Treasury. The interest income is used to reduce interest expense on the underlying borrowings.

USDA has authority to borrow from the Federal Financing Bank (FFB) and private investors in the form of Certificates of Beneficial Ownership (CBO) or loans executed directly between the borrower and FFB with an unconditional USDA repayment guarantee. CBO's outstanding with the FFB and private investors are generally secured by unpaid loan principal balances. CBO's outstanding are related to pre-credit reform loans and no longer used for program financing.

FFB CBO's are repaid as they mature and are not related to any particular group of loans. Borrowings made to finance loans directly between the borrower and FFB mature and are repaid as

the related group of loans become due. Interest rates on the related group of loans are equal to interest rates on FFB borrowings, except in those situations where an FFB funded loan is restructured and the terms of the loan are modified.

Prepayments can be made on Treasury borrowings without a penalty; however, they cannot be made on FFB CBO's, without a penalty.

Funds may also be borrowed from private lending agencies and others. USDA reserves a sufficient amount of its borrowing authority to purchase, at any time, all notes and other obligations evidencing loans made by agencies and others. All bonds, notes, debentures, and similar obligations issued by the Department are subject to approval by the Secretary of the Treasury. Reservation of borrowing authority for these purposes has not been required for many years.

### **Net Adjustments During the Reporting Period to Budgetary Resources Available at the Beginning of the Reporting Period**

The majority of the adjustments result from redemption of debt or the amount of principal repayments paid to the Treasury on CCC's outstanding borrowings. Redemption of debt is the amount of principal repayments paid to the Treasury or the Federal Financing Bank on outstanding borrowings. It does not include interest payments, which are shown as an obligation and an outlay.

Actual recoveries of prior year obligations are cancellations or downward adjustments of obligations incurred in prior fiscal years that did not result in an outlay. For expired accounts, these recoveries are available for upward adjustments of valid obligations that were incurred during the unexpired period but not recorded.

Cancellations of expired accounts are the amount of appropriation authority, which is canceled five years after the expiration of an annual or multi-year appropriation.

Other authority withdrawn represents the withdrawal of unobligated balances of indefinite budget authority realized in no-year or multiple year accounts through downward adjustments of prior year obligations.

### **Existence, Purpose, and Availability of Permanent Indefinite Appropriations**

USDA has permanent indefinite appropriations available to fund 1) subsidy costs incurred under credit reform programs, 2) certain costs of the crop insurance program, and 3) certain costs associated with Forest Service programs. The permanent indefinite appropriations for credit reform are mainly available to finance any disbursements incurred under the liquidating accounts. These appropriations become available pursuant to standing provisions of law without further action by Congress after transmittal of the Budget for the year involved. They are treated as permanent the first year they become available, as well as in succeeding years. However, they are not stated as specific amounts but are determined by specified variable factors, such as "cash needs" for liquidating accounts, and information about the actual performance of a cohort or estimated changes in future cash flows of the cohort in the program accounts. The permanent indefinite appropriation for the crop insurance program is used to cover premium subsidy, delivery expenses, losses in excess of premiums and research and delivery costs. The permanent indefinite appropriation for Forest Service (FS) programs are used to fund Pacific Yew, Recreation Fee Collection Costs, Brush Disposal, License programs, Smokey Bear and Woodsey Owl, Restoration of Forest Lands and Improvements, Roads and Trails for State, National Forest Fund, Timber Roads, Purchaser Elections, Timber Salvage Sales and Operation, Maintenance of Quarters, Construction, National Forest System, Research, and State and



Private. Monies received are appropriated and made available until expended by the FS to fund the costs associated with their appropriate purpose. Federal law (16 U.S.C. Section 556d) provides that the FS may advance money from any FS appropriation to the fire fighting appropriation for the purpose of fighting fires.

### Legal Arrangements Affecting the Use of Unobligated Balances of Budget Authority

Unobligated budget authority is the difference between the obligated balance and the total unexpended balance. It represents that portion of the unexpended balance unencumbered by recorded obligations. Appropriations are provided on an annual, multi-year, and no-year basis. An appropriation expires on the last day of its period of availability and is no longer available for new obligations. Unobligated balances retain their fiscal-year identity in an expired account for an additional five fiscal years. The unobligated balance remains available to make legitimate obligation adjustments, i.e., to record previously unrecorded obligations and to make upward adjustments in previously underestimated obligations for five years. At the end of the fifth year the authority is canceled. Thereafter, the authority is not available for any purpose.

Any information about legal arrangements affecting the use of the unobligated balance of budget authority is specifically stated by program and fiscal year in the appropriation language or in the alternative provisions section at the end of the appropriations act.

## Note 21. Disclosures Related to the Statement of Financing

*(U.S. dollars in millions)*

### Other Non-Budgetary Resources Used to Finance Operations

Prior Period Adjustments	(275)
Calculated Amount/NRE/FS	(1,006)
Revenue from Services Provided—receipts—federal	(352)
Revenue from Services Provided—receipts—nonfederal	<u>(87)</u>
Total	<u><u>(1,720)</u></u>

### Other Resources Used to Fund Items Not Part of the Net Cost of Operations

Prior Period Adjustments	2
Trust Funds	117
Miscellaneous	<u>(272)</u>
Total	<u><u>(153)</u></u>

### Other Net Cost Components Not Requiring or Generating Resources During the Reporting Period

Miscellaneous	<u>(374)</u>
Total	<u><u>(374)</u></u>

## Note 22. Disclosures Not Related to a Specific Statement

(U.S. dollars in millions)

### Custodial Activity

#### Sources of Collections

National Forest Service Receipts	1,842
National Grasslands Receipts	25
General Fund Miscellaneous Receipts	484
FNCS Accrual	8
SCS Loans Collected	<u>1</u>
Total Revenue Collected	<u>2,360</u>

#### Disposition of Collections

Amounts Transferred to Treasury	373
Amounts Retained by Agencies	<u>1,987</u>
Total Disposition of Revenue	<u>2,360</u>

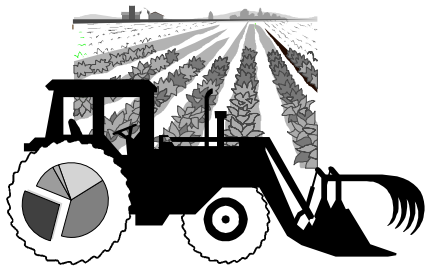
#### Net Custodial Activity

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National Forest Fund receipts are revenue from the sale of timber and other forest products, twenty-five percent of which is paid to states and the balance returned to Treasury. Forest Service plans to disburse to the states in December 2000, and the remaining portion payable to Treasury is estimated to be \$92 million. National Grasslands Receipts are revenue from the use of national grasslands, twenty-five percent of which is paid to counties and the balance returned to Treasury.

The balance of custodial collections represent miscellaneous general fund receipts such as collections on accounts receivable related to canceled year appropriations, civil monetary penalties and interest, and retailer and wholesaler fines and penalties. USDA transfers these types of collections to the Department of Treasury. USDA custodial collection activities are considered immaterial and incidental to the mission of the USDA.

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## **Required Supplementary Stewardship Information**

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## Required Supplementary Stewardship Information

### Stewardship Assets And Investments

USDA has stewardship responsibility for certain resources entrusted to it that do not meet the criteria for assets and liabilities required to be reported in the financial statements. Information about these resources are important to understanding USDA's mission, operations, and financial condition at the date of the financial statements and in subsequent periods. Costs of these stewardship-type resources are treated as expenses in the Statement of Net Cost in the year the costs are incurred; however, the costs and resultant resources are intended to provide long-term benefits to the public and are reported to highlight USDA's accountability over them.

The two general types of stewardship resources are investments in physical capital and investments in other than physical capital. Investments in physical capital include stewardship land, the solid part of the surface of the earth (i.e., excluding natural depletable or renewable resources) not acquired for or in connection with items of general property, plant, and equipment (PP&E). USDA's stewardship land consists of national forests and grasslands, and easements acquired for conservation purposes. These are reported in acres of land rather than dollar amounts.

USDA's stewardship investments in other than physical capital include nonfederal physical property, where title to the property is held by State or local governments; investments in human capital for education and training; and research and development. These stewardship investments are made for the benefit of the Nation. They are reported as expenses in the Statement of Net Cost in the year incurred, but they are also reported as supplemental stewardship information because USDA has been entrusted with and made accountable for the resources.

## Stewardship Land

Description	FY 1999 Balance	Additions	Withdrawals	FY 2000 Balance	Condition Assessment
<b>Forest Service</b>					
National Forest System (in acres)					
National Forests	187,665,452	161,598		187,827,050	Varies
National Forest Purposes	144,260,930	263,231		144,524,161	Varies
National Forest Wilderness Areas	34,750,897	462		34,751,359	Varies
National Wild and Scenic River Areas	944,853	56		944,909	Varies
National Forest Primitive Areas	173,762			173,762	Varies
National Recreation Areas	2,739,859		(103,465)	2,636,394	Varies
National Scenic Areas	128,922	256		129,178	Varies
National Scenic – Research Areas	6,630	7		6,637	Varies
National Game Refuges and Wildlife Preserve Areas	1,218,990			1,218,990	Varies
National Monument Areas	3,267,693	1,051		3,268,744	Varies
National Monument Volcanic Areas	166,376			166,376	Varies
National Historic Areas	6,540	6,753		13,293	Varies
National Grasslands	3,831,371	4,635		3,836,006	Varies
Purchase Units	352,892			352,892	Varies
Land Utilization Projects	1,876			1,876	Varies
Research & Experiment Areas	64,871			64,871	Varies
Other Areas	<u>130,210</u>	<u></u>	<u>(4,720)</u>	<u>125,490</u>	Varies
Total National Forest System Acreage	<u>192,046,672</u>	<u>276,451</u>	<u>(108,185)</u>	<u>192,214,938</u>	
Roads and Trails (in miles)					
Roads	406,656		(25,656)	381,000	
Trails	133,087			133,087	
<b>Commodity Credit Corporation</b>					
Wetlands Reserve Program (in acres)	363,840	149,915		513,755	
<b>Natural Resources Conservation Service</b>					
NRCS Easements (in acres)					
Emergency Watershed Protection Programs	36,081	25,223		61,304	
Emergency Wetlands Reserve Program	<u>92,159</u>	<u></u>		<u>92,159</u>	
Total NRCS Easements	<u>128,240</u>	<u>25,223</u>		<u>153,463</u>	

**Condition of NFS Land:** For the first time, the Forest Service has a comprehensive analysis of the condition of NFS lands. It indicates that more than half of the 140 million acres of forestland, out of the total 192 million acres of NFS lands, is at risk to future concerns posed by insects, disease, and fire. Whereas these areas are now producing valuable benefits (i.e. clean air, clean water, habitat for wildlife, and products for human use), in the future, some of these acres are at risk and may need treatment. We also have concerns about invasive species of insects, diseases, and plants that impact

our native system by causing mortality to, or displacement of, native vegetation. We are putting in place nationally standardized systems to inventory and monitor the condition of the forestland. Two such programs are the Forest Inventory and Analysis Program and the Forest Health Monitoring Program. There are currently 37 states in the annual monitoring program that includes a forest health component. Our National Fire Plan will step up our efforts to prevent and suppress future fires adequately and restore acres that are out of synch with their proper function and condition.

Additions and withdrawals are shown as net amounts: Land Acquired through purchase is needed to protect critical wildlife habitat, cultural and historical values, congressionally designated areas, and outdoor recreation and conservation purposes.

### **National Forest System**

The Forest Service manages 155 national forests and 20 grasslands on over 192 million acres of public land.

National Forests – A unit formally established and permanently set aside and reserved for National Forest purposes. The following categories of National Forest System land have been set-aside for specific purposes in designated areas:

- ▮ Wilderness Areas – Areas designated by Congress as a part of the National Wilderness preservation System.
- ▮ Primitive Areas – Areas designated by the Chief of the Forest Service as primitive areas. They are administered in the same manner as wilderness areas, pending studies to determine suitability as a component of the National Wilderness Preservation System.
- ▮ Wild and Scenic River Areas – Areas designated by Congress as part of the National Wild and Scenic River System.
- ▮ Recreation Areas – Areas established by Congress for the purpose of assuring and implementing the protection and management of public outdoor recreation opportunities.
- ▮ Scenic-Research Areas – Areas established by Congress to provide use and enjoyment of certain ocean headlands and to insure protection and encourage the study of the area for research and scientific purposes.
- ▮ Game Refuges and Wildlife Preserve Areas – Areas designated by Presidential Proclamation or by Congress for the protection of wildlife.
- ▮ Monument Areas – Areas including historic landmarks, historic and prehistoric structures, and other objects of historic or scientific interest, declared by Proclamation or by Congress.

National Grasslands – A unit designated by the Secretary of Agriculture and permanently held by the Department of Agriculture under Title III of the Bankhead-Jones Tenant Act.

Purchase Units – A unit of land designated by the Secretary of Agriculture or previously approved by the National Forest Reservation Commission for purposes of Weeks Law acquisition.

Land Utilization Projects – A unit reserved and dedicated by the Secretary of Agriculture for forest and range research and experimentation.

Other Areas – Areas administered by the Forest Service that are not included in one of the above groups.



## Conservation Easements

### ***Wetlands Reserve Program (WRP)***

The Wetlands Reserve Program (WRP), administered by NRCS and funded by CCC, is a voluntary program established to restore, protect, and enhance wetlands on agricultural land. Participants in the program may sell a conservation easement or enter into a cost-share restoration agreement with USDA in order to restore and protect wetlands. The landowner voluntarily limits the future use of the land, yet retains private ownership. The program provides many benefits for the entire community, such as better water quality, enhanced habitat for wildlife, reduced soil erosion, reduced flooding, and better water supply.

To be eligible for WRP, land must be restorable and be suitable for wildlife benefits. Once land is enrolled in the program, the landowner continues to control access to the land—and may lease the land—for hunting, fishing, and other undeveloped recreational activities. Once enrolled, the land is monitored to ensure compliance with contract requirements. At any time, a landowner may request that additional activities (such as cutting hay, grazing livestock, or harvesting wood products) be evaluated to determine if they are compatible uses for the site. Compatible uses are allowed if they are fully consistent with the protection and enhancement of the wetland. The condition of the land is immaterial as long as the easement on the land meets the eligibility requirements of the program.

Easements purchased under this program meet the definition of stewardship land. CCC records an expense for the acquisition cost of purchasing easements plus any additional costs such as closing, survey, and restoration costs. Easements can be either permanent or 30-year duration. In exchange for establishing a permanent easement, the landowner receives payment up to the agricultural value of the land and 100 percent of the restoration costs for restoring the wetlands. The 30-year easement payment is 75 percent of what would be provided for a permanent easement on the same site and 75 percent of the restoration cost.

Withdrawals from the program are rare. The Secretary of Agriculture has the authority to terminate contracts, with agreement from the landowner, after an assessment of the effect on public interest, and following a 90-day notification period of the House and Senate agriculture committees.

The change in acres covered by these easements for the fiscal year ended September 30, 2000, is as follows:

Acres Purchased, as of September 30, 1999	363,840
Additions	<u>149,915</u>
Acres Purchased, as of September 30, 2000	513,755

### ***Emergency Watershed Protection Program (EWP)***

The Emergency Watershed Protection Program (EWP) Floodplain Easements is administered by NRCS. A floodplain easement is purchased on flood prone lands to provide a more permanent solution to repetitive disaster assistance payments and to achieve greater environmental benefits where the situation warrants and the affected landowner is willing to participate in the easement approach. The easement is to restore, protect, manage, maintain, and enhance the functions of wetlands, riparian areas, conservation buffer strips, and other lands.

Easements purchased under this program meet the definition of stewardship land. NRCS records an expense for the acquisition cost of purchasing easements plus any additional costs such as closing, survey, and restoration costs. Easements purchased under EWP are permanent duration. In exchange for establishing a permanent easement, the landowner receives payment based on agricultural value of the land, a geographic land payment cap, or the landowner offer. Easement values are assessed on pre-disaster conditions. The landowner may receive up to 100 percent of the installation and maintenance of land treatment measures deemed necessary and desirable to effectively achieve the purposes of the easement. The easements provide permanent restoration of the natural floodplain hydrology as an alternative to traditional attempts to restore damaged levees, lands, and structures. There are no provisions in the easement to terminate the purchase.

The change in acres covered by these easements for the period ended September 30, 2000 is as follows:

Acres Purchased, as of September 30, 1999	36,081
Additions	<u>25,223</u>
Acres Purchased, as of September 30, 2000	61,304

### ***Emergency Wetlands Reserve Program (EWRP)***

The Emergency Watershed Protection Program (EWP) Floodplain Easements is administered by NRCS. A floodplain easement is purchased on flood prone lands to provide a more permanent solution to repetitive disaster assistance payments and to achieve greater environmental benefits where the situation warrants and the affected landowner is willing to participate in the easement approach. The easement is to restore, protect, manage, maintain, and enhance the functions of wetlands, riparian areas, conservation buffer strips, and other lands.

Easements purchased under this program meet the definition of stewardship land. NRCS records an expense for the acquisition cost of purchasing easements plus any additional costs such as closing, survey, and restoration costs. Easements purchased under EWP are permanent duration. In exchange for establishing a permanent easement, the landowner receives payment based on agricultural value of the land, a geographic land payment cap, or the landowner offer. Easement values are assessed on pre-disaster conditions. The landowner may receive up to 100 percent of the installation and maintenance of land treatment measures deemed necessary and desirable to effectively achieve the purposes of the easement. The easements provide permanent restoration of the natural floodplain hydrology as an alternative to traditional attempts to restore damaged levees, lands, and structures. There are no provisions in the easement to terminate the purchase.

The change in acres covered by these easements for the period ended September 30, 2000 is as follows:

Acres Purchased, as of September 30, 1999	92,159
Acres Purchased, as of September 30, 2000	92,159

### Stewardship Investment In Non-Federal Property

Program	FY 2000 Expense* (U.S. dollars in millions)	FY 1999 Expense* (U.S. dollars in millions)	USDA Agency
Extension 1890's Facilities Program	12		Cooperative State Research, Education, and Extension Service (CSREES)
Food Stamp Program ADP Equipment and Systems	28	52	Food and Nutrition Service (FNS)
Special Supplemental Nutrition Program	<u>29</u>	<u>      </u>	
Total USDA Expense	<u>69</u>	<u>52</u>	

\* Obligations used as an estimate of expense for CSREES programs.

### Cooperative State Research, Education, and Extension Service Programs

The Extension 1890 facilities program supports the renovation of existing buildings and the construction of new facilities that permit faculty, students, and communities to benefit fully from the partnership between USDA and the historically African-American land-grant universities. In FY 2000, 21 grants were awarded to support this program.

### Food Stamp Program

FNS's non-federal physical property consist of computer systems and other equipment obtained by the State and local governments for the purpose of administering the Food Stamp Program. FNS's nonfederal physical property also consist of computer systems and other equipment obtained by the State and local governments for the purpose of administering the Special Supplemental Nutrition Program for Women, Infants and Children (WIC).

### Stewardship Investment In Human Capital

Program	FY 2000 Expense* (U.S. dollars in millions)	FY 1999 Expense* (U.S. dollars in millions)	USDA Agency
National Agricultural Library	19	20	Agricultural Research Service
Higher Education and Extension Programs	466	458	Cooperative State Research, Education, and Extension Service (CSREES)
Food Stamp Program	156	125	Food Nutrition Service (FNS)
Child Nutrition Program		2	FNS
Job Corps	94	88	Forest Service
Risk Management Education	<u>1</u>	<u>1</u>	Risk Management Agency (RMA)
Total USDA Expense	<u>736</u>	<u>694</u>	

\* Obligations used as an estimate of expense for ARS and CSREES programs.

### Cooperative State Research, Education, and Extension Service Programs

The Higher Education programs include graduate fellowship grants, competitive challenge grants, Secondary/2-year Post Secondary grants, Hispanic serving institutions education grants, a

multicultural scholars program, a Native American institutions program, a Native American institutions endowment fund, and a capacity building program at the 1890 institutions. In FY 2000, approximately 184 Higher Education grants were awarded to more than 120 institutions of higher education. These programs enable universities to broaden their curricula, increase faculty development and student research projects, and increase the number of new scholars recruited in the food and agriculture sciences.

### ***Food Nutrition Service Programs***

FNS's human capital consists of Employment and Training (E&T) for the Food Stamp Program. The E&T program requires recipients of food stamp benefits to participate in an employment and training program as a condition to food stamp eligibility. Outcome data for the E&T program is only available through the third quarter. As of this period, FNS' E&T program has placed 636 thousand work registrants subject to the 3 month Food Stamp Program participant limit and 486 thousand work registrants not subject to the limit in either job-search, job-training, job-workfare, education, or work experience.

### ***Job Corps Program***

The Forest Service, in partnership with the Department of Labor, operates 18 Job Corps civilian conservation centers. Job Corps is the only Federal residential, educational, and training program for the Nation's disadvantaged youth between the ages of 16–24 years old. The purpose of the program is to provide young adults with skills necessary to become employable, independent, and productive citizens. Job Corps operates and is funded on a program year July 1, 1999 through June 30, 2000.

Established in 1964, we have trained and educated about 200,000 young people. The program is carried out in a structured, co-educational, residential environment that provides education, vocation and life skills training, counseling, medical care, work experience, placement assistance, recreational opportunities, and cash allowance.

Job Corps students can choose from a wide variety of careers such as urban forestry, heavy equipment operation and maintenance, business clerical, carpentry, culinary arts, painting, cement and brick masonry, welding, auto mechanics, health services, building and apartment maintenance, warehousing, and plastering.

During FY 2000 there were 8,818 participants with 4,356 placements.

### ***Risk Management Education***

Risk Management Education (RME) during FY 2000, worked toward these goals by funding 858 Risk Management sessions, compared to approximately 950 Risk Management sessions during FY 1999. Most of these activities targeted producers directly. The number of producers reached through these sessions totaled more than 30,000 in FY 2000 and 45,000 in FY 1999. In addition to reaching producers, some training sessions helped those who work with producers, such as lenders, agricultural educators, and crop insurance agents, better understand those areas of Risk Management with which they may be unfamiliar. Total RME costs incurred by the FCIC were approximately \$1 million for FY 2000 and FY 1999.

## Stewardship Investment In Research And Development

Program	FY 2000 Expense* (U.S. dollars in millions)	FY 1999 Expense* (U.S. dollars in millions)
<b>Agricultural Research Service</b>		
Soil and Water Conservation	89	82
Plant Sciences	296	295
Animal Sciences	133	119
Commodity Conservation and Delivery	172	156
Human Nutrition	72	67
Integration of Agricultural Systems	31	30
Collaborative Research Program		2
<b>Total ARS R&amp;D Expenses</b>	793	751
<b>Cooperative State Research, Education and Extension Service</b>		
Land-Grant University System Research	476	457
<b>Economic Research Service</b>		
Economic and Social Science Research	64	65
<b>Forest Service</b>		
Forest Service Research and Development	255	198
<b>National Agricultural Statistics Service</b>		
Statistical Research and Service	4	4
<b>Total USDA Expense</b>	1,592	1,475
* Obligations used as an estimate of expense for ARS, CSREES, ERS, and NASS programs.		

### Agricultural Research Service Programs

The Agricultural Research Service (ARS) is the principal in-house research agency of the U.S. Department of Agriculture. Its mission is to conduct research to develop the following program activities.

**Soil, Water, and Air Sciences** – The research program is directed to managing and conserving the Nation's soil, water, and air resources for a stable and productive agriculture. The research focuses on developing technologies and systems to conserve water and protect its quality, enhance soil quality and reduce erosion, and improve air quality. The effects of global change are also researched.

**Plant Sciences** – The research emphasis is on increasing the productivity and quality of crop plants, and improving the competitiveness of agricultural products in domestic and world markets. The research involves developing improved production practices, and methods for reducing crop losses caused by weeds, diseases, insects, and other pests. The research also includes broadening the germplasm resources of plants and beneficial organisms to ensure genetic diversity for improving productivity.

**Animal Sciences** – The research program places primary emphasis on increasing the productivity of animals and the quality of animal products. The research involves increasing the genetic capacity of animals for production, improving the efficiency of reproduction, improving animal nutrition and

feed efficiency, and controlling or preventing losses from pathogens, diseases, parasites, and insect pests. In addition, the research includes the development of systems and technologies to better manage and utilize animal wastes.

**Commodity Conversion and Delivery** – The research program focuses on maximizing the use of agricultural products in domestic and international markets. New agricultural products and processes are developed along with technologies for reducing or eliminating post harvest losses caused by pests, spoilage, and physical and environmental damage. Also, research is conducted on food safety to reduce pathogens, naturally-occurring toxicants, mycotoxins, and chemical residues in the food supply.

**Human Nutrition** – The research program emphasis is on promoting optimum human health and well-being through improved nutrition. Research is directed to defining the nutrient requirements of humans at all stages of the life cycle. The research also focuses on determining the nutrient content of agricultural products and processed foods consumed, and establishing the bioavailability of their nutrients.

**Integration of Agricultural Systems** – The research integrates scientific knowledge of agricultural production, processing, and marketing into systems that optimize resources management and facilitate the transfer of technology to users.

### ***Cooperative State Research, Education, and Extension Service Program***

The Cooperative State Research, Education, and Extension Service (CSREES) participates in a nationwide land-grant university system of agriculture related research and program planning and coordination between State institutions and the U.S. Department of Agriculture. It assists in maintaining cooperation among the State institutions, and between the State institutions and their Federal research partners. CSREES administers grants and formula payments to State institutions to supplement State and local funding for agriculture research.

### ***Economic Research Service Programs***

ERS provides economic and other social science research and analysis for public and private decisions on agriculture, food, natural resources, and rural America. Research results and economic indicators on these important issues are fully disseminated through published and electronic reports and articles; special staff analyses, briefings, presentations, and papers; databases; and individual contacts. ERS' objective information and analysis helps public and private decision makers attain the goals that promote agricultural competitiveness, food safety and security, a well-nourished population, environmental quality, and a sustainable rural economy.

### ***Forest Service Programs***

Forest Service Research and Development is responsible for providing reliable science-based information to be incorporated into natural resource decision-making. Efforts consist of developing new technology, and then adapting and transferring this technology to facilitate more effective resource management. Major research:

- ┆ Vegetation Management & Protection
- ┆ Wildlife, Fish, Watershed, and Air

- ┆ Resource Valuation and Use Research
- ┆ Forest Resources Inventory and Monitoring

The research staff is involved in all areas of the Forest Service in supporting goals by providing more efficient and effective methods where applicable. A representative summary of FY 2000 accomplishments include:

- ┆ Estimated 225 new interagency agreements and contract
- ┆ About 65 interagency agreements and contracts continued
- ┆ Estimated 1,052 articles published in journals
- ┆ Estimated 1,452 articles published in all other publications
- ┆ 4 patents granted
- ┆ 6 rights to inventories established

### ***National Agricultural Statistics Service Programs***

Statistical Research and Service is conducted to improve the statistical methods and related technologies used in developing U.S. agricultural statistics. The highest priority of the research agenda is to aid the NASS estimation program through development of better estimators at lower cost and with less respondent burden. This means greater efficiency in sampling and data collection coupled with higher quality data upon which to base the official estimates. In addition, new products for data users are being developed with the use of technologies such as remote sensing and geographic information systems. Continued service to users will be increasingly dependent upon methodological and technological efficiencies.



## **Required Supplementary Information**

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**U.S. Department Of Agriculture**  
**Combined Statement Of Budgetary Resources**  
**For the year ended September 30, 2000**  
*(in millions)*

	Farm and Foreign Agricultural Services	Food, Nutrition, and Consumer Service	Food Safety
<b>Budgetary Resources</b>			
Budget Authority	\$89,592	\$35,086	\$ 643
Unobligated Balances – Beginning of Period	5,865	17,072	16
Spending Authority From Offsetting Collections	15,447	319	99
Adjustments	(56,970)	(2,757)	103
Total Budgetary Resources	<u>53,934</u>	<u>49,720</u>	<u>861</u>
<b>Status of Budgetary Resources</b>			
Obligations Incurred	49,166	33,014	820
Unobligated Balances—Available	4,456	2,877	(101)
Unobligated Balances—Not Available	<u>312</u>	<u>13,829</u>	<u>142</u>
Total Status of Budgetary Resources	<u>53,934</u>	<u>49,720</u>	<u>861</u>
<b>Outlays</b>			
Obligations Incurred	49,166	33,014	820
Less: Actual Spending Authority From Offsetting Collections and Actual Adjustments	15,686	919	202
Obligated Balance, Net – Beginning of Period	8,618	2,703	74
Less: Obligated Balance, Net – End of Period	<u>6,266</u>	<u>2,966</u>	<u>63</u>
Total Outlays	<u>\$35,832</u>	<u>\$31,832</u>	<u>\$ 629</u>

Marketing and Regulatory Programs	Natural Resources and Environment	Rural Development	Research, Education, and Economics	Other USDA Services	2000
\$ 1,614	\$ 4,850	\$ 8,077	\$ 2,221	\$ 342	\$142,425
434	1,427	1,203	365	67	26,449
162	456	8,547	82	317	25,429
<u>57</u>	<u>255</u>	<u>(4,475)</u>	<u>4</u>	<u>16</u>	<u>(63,767)</u>
<u>2,267</u>	<u>6,988</u>	<u>13,352</u>	<u>2,672</u>	<u>742</u>	<u>130,536</u>
1,759	6,260	12,030	2,215	658	105,922
486	641	407	412	63	9,241
<u>23</u>	<u>87</u>	<u>915</u>	<u>45</u>	<u>19</u>	<u>15,372</u>
<u>2,268</u>	<u>6,988</u>	<u>13,352</u>	<u>2,672</u>	<u>740</u>	<u>130,535</u>
1,759	6,260	12,030	2,215	658	105,922
229	734	8,951	110	337	27,168
90	1,315	14,167	1,189	64	28,220
<u>108</u>	<u>1,840</u>	<u>15,577</u>	<u>1,303</u>	<u>28</u>	<u>28,151</u>
<u>\$ 1,512</u>	<u>\$ 5,001</u>	<u>\$ 1,669</u>	<u>\$ 1,991</u>	<u>\$ 357</u>	<u>\$ 78,823</u>

## Segment Information

### USDA Working Capital Fund

USDA's Working Capital Fund (WCF), an intragovernmental support revolving fund, is not separately reported in the consolidated financial statements. The following condensed information summarizes the results of WCF activity during the FY 2000 reporting period.

*Condensed Information About Assets, Liabilities, and Net Position  
(U.S. dollars in millions)*

	Amount
Fund Balance	41
Accounts Receivable	38
Inventory	3
Property, Plant, and Equipment	44
Liabilities Due and Payable for Goods and Services Received	46
Other Liabilities	27
Cumulative Results of Operations	53

### ***Services Provided by the Fund***

Twenty activity centers performed operations, and three modernization initiatives were administered under WCF authority and provided the following services in FY 2000.

**Office of the Executive Secretariat** is responsible for analyzing, managing, and tracking mail in fulfilling its responsibilities to control executive correspondence, ensuring the timely and accurate response to inquiries made to the Department, providing information to Department officials in a timely manner, and establishing Department-wide procedures and policies for handling executive records and documents.

**Office of Communications** is responsible for managing the activities of two activity centers. The Video and Teleconferencing Center provides video production services to USDA agencies and studio production facilities for teleconferences in which USDA agencies participate. The Design Center provides USDA agencies with exhibit design and visitor center support services.

**Departmental Administration** is responsible for managing 10 activity centers that provide a wide range of administrative services, including: acquisition, receipt, storage, issuance, packaging, and shipment of supplies; forms warehousing, distribution and transportation services; receipts, rehabilitation, distribution of personal property; mail processing and delivery; maintenance, update, generation services for automated mailing lists; short-order and walk-up reproduction services; custom duplicating, binding, addressing, mailing services; interest fund management; procurement document preparation support; and processing services for incoming and outgoing shipments of parcels. In addition to the activity centers, three modernization projects were administered, including: the Procurement Modernization Team (PMT) effort, the Purchase Card Management System (PCMS) initiative, and the time and attendance pilot project. These initiatives are the product of the Modernization of Administrative Processes (MAP) project. The MAP Project Office was closed as an organizational entity in October 1997, with responsibility for the management of continuing modernization efforts being returned to process owners. Costs for these initiatives are managed as a reimbursement between process owners, managing the projects, and the WCF.

**Office of the Chief Information Officer** manages information technology services under seven activity centers, as well as one modernization initiative. Services provided by activity centers include: mainframe computing services, ADP training, and other ADP services to USDA agencies and non-USDA entities; systems and software development services to USDA agencies and non-USDA users; Department-wide telecommunications management support services; an integrated information system for inventory management, FTS2000 and FTS2001 billing, reporting, and validation; Telecommunications Network Stabilization and Migration Program (TNSMP) forecasting, Telecommunications Accounting, and Operation Services (TAOS); Internet Access Network management; optimization of Wide Area Network solutions for security and operations; Telecommunications Research and Development, test and evaluation; engineering and streamlining the Department-wide telecommunications network environment through the identification and facilitation of the implementation of shared opportunities; ensuring agency telecommunications network solutions are compliant with Departmental program goals and objectives; planning, acquisition, implementation, and management of information technology resources for the Office of Secretary and Office of Chief Information Officer; ensuring compliance with information resources management standards and policies; providing economies and efficiencies in the use of information technology through elimination of duplication and consolidation of resource sharing; maintenance and administration of USDA telecommunications equipment and services inventory in the D.C. Buildings Complex; publication of the USDA telephone directory and provision of automated telephone directory employee locator services, management and coordination of the Departmental voice mail system service implementation and operation; technical and operations assistance on data networking telecommunications systems, design, installation, operation, and management of value-added, common shared services provided on Departmental Headquarters networks and platforms; participation in the design, engineering, provisioning, and operations management of the Enterprise Network; and, responsible for the USDA Telecommunications Security program. One modernization initiative was administered—the Telecommunications Online Billing and Inventory (TOBI) project. TOBI combines a revised administrative process with an automated management information system to address problems in current administrative processes, procedures, and automated information systems used for ordering, billing, and inventory. There are no funds included with the FY 2000 operating estimates, so as to allow the OCIO time to evaluate project results to date and develop a strategy for archiving the project's objectives.

**Office of the Chief Financial Officer** administers one activity. The National Finance Center provides financial and administrative management services to USDA agencies and more than 30 non-USDA entities that include: central accounting, payroll processing, administrative and program billing, collections, travel, and property management. Also, the National Finance Center serves as record keeping office and loan operations center in support of the Thrift Savings Plan under the Thrift Investment Board/Federal Employees Retirement System. The Foundation Financial Information System (FFIS) Project Office administers development, implementation, and data warehousing aspects of the FFIS project. The objective of this initiative is to replace the current accounting system at the NFC and implement improved financial and accounting processes at USDA.

The WCF activity centers and modernization initiatives are located in Washington, D.C. (13 centers and 4 modernization initiatives); Landover, Maryland (three centers); Fort Collins, Colorado (two centers); Kansas City, Missouri (one center); and New Orleans, Louisiana (one center).

## Major Customers

In 2000, the WCF had two major customers that comprised more than 15 percent of the fund's revenue. USDA's Forest Service provided revenue in the amount of \$48.8 million. The Thrift Investment Board (Thrift Savings Plan) provided revenue in the amount of \$43.7 million.

### Summary of Costs and Revenue by WCF Activity Center (U.S. dollars in millions)

Activity Center	Related Exchange Revenue	Cost of Goods and Services Provided	Excess of Cost Over Revenue
Office of the Chief Financial Officer	177.7	190.8	13.1
Office of Communications	4.4	5.1	0.7
Office of the Chief Information Officer	67.8	68.3	0.5
Office of Departmental Administration	26.4	21.0	(5.4)
Office of the Executive Secretariat	<u>1.3</u>	<u>1.6</u>	<u>0.3</u>
TOTAL Working Capital Fund	277.6	286.8	9.2

## Forest Service Working Capital Fund

The U.S. Forest Service's (FS) Working Capital fund (WCF) is not separately reported in the consolidated financial statements. The following condensed information summarizes the results of FS's WCF activity during the FY 2000 reporting period.

### Condensed Information About Assets, Liabilities, and Net Position (U.S. dollars in millions)

Fund Balance	179
Accounts Receivable	2
Inventory	10
Property, Plant, and Equipment	382
Liabilities Due and Payable for Goods and Services Received	23
Deferred Revenues	3
Other Liabilities	2
Cumulative Results of Operations	545

## Services Provided by the Fund

The National Forest System provides for protection, management, and utilization of approximately 192 million acres of national forests and grassland located in 44 states, Puerto Rico, and the Virgin Islands for a wide variety of purposes and values. Programs run the spectrum from preservation of wilderness areas to intensive resource utilization such as developed recreation, grazing and timber harvest.

Research and Development is focused around four broad areas: Vegetation Management, Wildlife, Fish, Watershed, and Air Research, Resource Valuation, and Forest Resources Inventory and Monitoring. Each day field foresters, land managers, farmers, ranchers, urban foresters, public

interest groups, and many others apply the knowledge and information technology developed by Forest Service scientists and cooperators in academia and industry. Long-term scientific research provides many tools used to furnish early warnings and solutions for potential problems.

The goal of State and Private Forestry is to maintain and improve, through collaborative stewardship, the health, and productivity of the Nation's urban and rural forests and related economies. State and Private Forestry programs provide technical and cost-sharing assistance to help assure sound stewardship and use of the vast state and private forestland. State and Private Forestry helps state, local, tribal governments and small nonindustrial private forest landowners manage forest resources to meet economic, social, and environmental goals. State and Private Forestry funds are leveraged through cost-sharing to provide increased on-the-ground project funding.

### **Major customers**

Major customers include; state and local Governments, forest industries, private landowners, and other nations and organizations that foster global natural resource conservation and sustainable development of the world's forest resources, as well as the American public's growing need for outdoor recreation.

#### *Summary of Costs and Revenue by Forest Service WCF Activity Center (U.S. dollars in millions)*

Activity Center	Related Exchange Revenue	Costs of Goods and Service Provided	Excess of Costs Over Revenue
Other	156	156	

## **Deferred Maintenance**

Deferred maintenance is maintenance that was not performed when it should have been or was scheduled to be performed but was delayed until a future period. It represents a cost that the Government has elected not to fund and, therefore, the costs are not reflected in the financial statements. Maintenance is defined to include preventive maintenance, normal repairs, replacement of parts and structural components, and other activities needed to preserve the asset so that it continues to provide acceptable services and achieves its expected life. It excludes activities aimed at expanding the capacity of an asset or otherwise upgrading it to service needs different from, or significantly greater than, those originally intended. Deferred maintenance is reported for general property, plant, and equipment (PP&E), stewardship assets, and is also reported separately for critical and noncritical amounts of maintenance needed to return each major class of asset to its acceptable operating condition.



*Summary of Costs and Revenue*  
(U.S. dollars in millions)

Asset Class	Overall Condition	Cost to Return to Acceptable Condition	Critical Maintenance	Non-Critical Maintenance
Forest Service				
General Property, Plant, and Equipment				
Roads, Bridges, and Major Culverts	Varies	4,511	1,552	2,959
Buildings	Varies	740	264	476
Recreation	Varies	294	135	159
Dam Systems	Varies	31	13	18
Range	Varies	335	330	5
Wildlife and Fish Structures	Varies	<u>26</u>	<u>17</u>	<u>9</u>
Total Deferred Maintenance for General PP&E		5,937	2,311	3,626
Trails	Varies	151	54	97
Watershed Improvements	Varies	5	1	4
Historic Structures	Varies	<u>60</u>	<u>60</u>	
Total Deferred Maintenance		6,153	2,426	3,727
Overhead (19%)		<u>1,169</u>	<u>461</u>	<u>708</u>
Total Deferred Maintenance and Overhead		7,322	2,887	4,435

- † Critical Maintenance. A requirement that addresses a serious threat to public health or safety, a natural resource, or the ability to carry out the mission of the organization.
- † Noncritical Maintenance. A requirement that addresses potential risk to the public or employee health or safety (e.g., compliance with codes, standards, or regulations), or potential adverse consequences to natural resources or mission accomplishment.
- † Overall Condition. Condition of major classes of property, range from poor to good, depending on location, age, and type of property. There is currently no comprehensive national assessment of property. The current deferred maintenance estimates were based on statistical and random sampling. The Forest Service used condition surveys to estimate deferred maintenance on all major classes of Property, Plant, and Equipment. The Forest Service is working on a long-range plan to make condition assessments on all major classes of property. There is no deferred maintenance on equipment because the Forest Service has their fleet vehicles and computer equipment in a working capital fund. The Fleet vehicles are each maintained according to schedule. The Forest Service treats the remaining equipment as expensed, therefore there is no deferred maintenance on general equipment.

**Condition of administrative facilities:**

- † 22 percent of buildings are obsolete, over 50 years old
- † 27 percent of buildings are in Poor condition needing major alterations and renovations
- † 24 percent of buildings are in Fair condition needing minor alterations and renovations
- † 27 percent of buildings are in Good condition needing routine maintenance and repairs

**Condition of Dams:**

The overall condition of dams is below acceptable. The condition of dams is acceptable when the dam meets current design standards and does not have any deficiencies that threaten the safety of the structure or public, or are needed to restore functional use, correct unsightly conditions, or prevent more costly repairs.

**Condition of NFS Land:**

For the first time, the Forest Service has a comprehensive analysis of the condition of NFS lands. It indicates that more than half of the 140 million acres of forestland, out of the total 192 million acres of NFS lands, is at risk to future concerns posed by insects, disease, and fire. Whereas, these areas are now producing valuable benefits (i.e. clean air, clean water, habitat for wildlife, and products for human use), in the future, some of these acres are at risk and may need treatment. We also have concerns about invasive species of insects, diseases, and plants that impact our native system by causing mortality to, or displacement of, native vegetation. We are putting in place nationally standardized systems to inventory and monitor the condition of the forestland. Two such programs are the Forest Inventory and Analysis Program and the Forest Health Monitoring Program. There are currently 37 states in the annual monitoring program that includes a forest health component. Our National Fire Plan will step up our efforts to prevent and suppress future fires adequately and restore acres that are out of sync with their proper function and condition. The standards for acceptable operating condition for different classes of general PP&E are as follows:

**Buildings**

Comply with the National Life Safety Code, the Forest Service Health and Safety Handbook, and the Occupational Safety Health Administration as determined by condition surveys.

**Roads and Bridges**

Conditions of the National Forest Development Road system are measured by various standards including applicable regulations for the Highway Safety Act developed by the National Highway Transportation Safety Administration, best management practices for road construction and maintenance developed by the Environmental Protection Agency to implement the Clean Water Act, and Forest Service manuals and handbooks.

**Developed Recreation Sites**

This is a wide category that includes campgrounds, trail heads, wastewater facilities, interpretive facilities, and visitor centers. All developed sites are managed in accordance with federal laws and regulations (CFR 36). Detailed management guidelines are contained in the Forest Service Manual (FSM 2330) and regional and forest level user guides. Standards of quality for developed recreation sites were developed under the meaningful measures system and established for the following categories: health and cleanliness, setting, safety and security, responsiveness, and condition of facility.

**Range Structures**

The condition assessment was based on: (1) a determination by knowledgeable Range Specialists or other district personnel whether the improvement was performing the originally intended function; or (2) a determination through the use of a protocol system to assess conditions based on age. We use a long-range methodology to gather this data.

**Watershed Structures**

Field Hydrologists and Forest Service personnel used their professional judgment to determine deferred maintenance. Deferred maintenance was considered critical if resource damage would likely occur, if maintenance was deferred much longer.

**Dams**

Comply with Forest Service Manual 7500 – Water Storage and Transmission, and Forest Service Handbook – Forest Service Handbook 7509.11, Dams Management as determined by condition surveys.

**Wildlife, Fish, and Threatened and Endangered Species Structures**

Field Biologists at the forest used their professional judgment in determining deferred maintenance. Deferred maintenance was considered to be upkeep that had not occurred on a regular basis, and the amount was deemed critical if resource damage or species endangerment would likely occur if maintenance was deferred much longer.

**Trails**

Trails are managed according to federal law and regulations (CFR 36). More specific direction is contained in the Forest Service Manual (FSM 2350) and the Forest Service Trails Management Handbook (FSH 2309.18).

**Heritage Assets**

These assets include archeological sites that require determinations of National Register of Historic Places status; National Historic Landmarks; and significant historic properties. Some heritage assets may have historical significance, but their primary function within the agency is as visitation or recreation sites and, therefore might not fall under the management responsibility of the Heritage Program.

**Intragovernmental Amounts**

Intragovernmental amounts represent transactions between the USDA and other federal departments. The USDA reported the following intragovernmental balances as of September 30, 2000:

## Intragovernmental Amounts

Intragovernmental amounts represent transactions between the USDA and other federal departments. The USDA reported the following intragovernmental balances as of September 30, 1999:

<i>USDA Intragovernmental Assets</i> (U.S. dollars in millions)					
Department Outside USDA	Fund Balance With Treasury	Investments in Other Agencies Securities	Accounts Receivable	Other Assets	
Department of Treasury	38,285	23	13		
Agency for International Development			18		
Department of Defense			2		
Department of Energy			10		
Department of Interior			72		
Department of Labor			28		
Department of Transportation			17		
Other			175	92	
Total	38,285	23	335	92	

<i>USDA Intragovernmental Liabilities</i> (U.S. dollars in millions)					
Department Outside USDA	Accounts Payable	Debt to Other Departments	Resources Payable to Treasury	Accrued FECA Bills	Other Liabilities
Department of Justice	1				
Office of Personnel Management	44				
Department of Treasury	1,992	78,718	17,757		1,908
General Services Administration	2				5
Department of the Army					18
Department of Interior					57
Department of Labor				84	56
Agency for International Development	465				5
Other	19				1,153
Total	2,523	78,718	17,757	84	3,202

*USDA Intragovernmental Non-exchange Revenue*

Trading Partner	Transfers-In	Transfers-Out
Department of Commerce		70
Agency for International Development		514
Department of Treasury		164
Other	<u>839</u>	<u>1,725</u>
Total	839	2,473

*USDA Intragovernmental Revenue and Related Costs*  
*(U.S. dollars in millions)*

Department Outside USDA	Earned Revenue
Department of the Army	2
Department of Commerce	2
Department of Defense	4
Department of Energy	20
Department of Interior	1,261
Department of Labor	28
Department of Transportation	6
Department of Treasury	634
Aid for International Development	30
Environmental Protection Agency	2
Federal Emergency Management Agency	3
General Services Administration	132
Government Printing Office	5
National Aeronautics and Space Administration	1
Office of Personnel Management	120
U.S. Army Corps of Engineers	6
Other	<u>(629)</u>
Total	1,627

Budget Function Code	Total Cost to Generate Revenue
271—Energy Supply	1,596
302—Conservation and Land Management	1,657
303—Recreational Resources	3
304—Pollution Control and Abatement	3
351—Farm Income Stabilization	784
371—Mortgage Credit	1,162
452—Area and Regional Development	<u>910</u>
Total	6,115