
Semiannual

Report

Office of

Inspector

General

April 1, 1986 -
September 30, 1986



United States Department of Agriculture



United States
Department of
Agriculture

Office of
Inspector
General

Washington,
D.C.
20250

OCT 30 1986

The Honorable Richard E. Lyng
Secretary of Agriculture
Washington, DC 20250

Dear Mr. Secretary

I respectfully submit the sixteenth Office of Inspector General Semiannual Report to Congress summarizing the activities of the 6-month period ending September 30, 1986.

During this period, the Office of Inspector General released 399 audit reports and 828 investigative reports. We also resolved or closed 637 audits and 531 investigations. The resolved audits resulted in management commitments to recover \$26.2 million in questioned costs and loans and to more efficiently use funds valued at \$41.4 million. The investigations resulted in 276 indictments and 223 convictions.

The Office of Inspector General continued to emphasize coverage of potential or developing problems related to the implementation of the Food Security Act of 1985 (Farm Bill) and to other areas vulnerable to fraud, waste and mismanagement. Some of our more significant efforts involved the Dairy Termination Program, Conservation Reserve and Production Adjustment Program, Child Nutrition Program, farm loans, crop insurance, production adjustment program, timber contracts, and meat and poultry inspection activities.

I appreciate the strong support that you personally have given to the Office of Inspector General in fulfilling its mission. With your support, I believe we have made progress in promoting economy, efficiency, and effectiveness in the Department and in the detection and prevention of fraud and other program abuses.

Sincerely,

Robert W. Beuley

ROBERT W. BEULEY
Inspector General

Enclosure

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Executive Summary

This is the sixteenth Semiannual Report issued by the Office of Inspector General (OIG), U.S. Department of Agriculture (USDA), pursuant to the provisions of the Inspector General Act of 1978 (P.L. 95-452). This report covers the period April 1, 1986 through September 30, 1986.

Over the past 6 months USDA has continued to focus its efforts on making U.S. agricultural commodities more competitive in the world market, dealing with an ever changing domestic farm economy and implementing programs established by the Food Security Act of 1985 (Farm Bill). OIG has assisted the Department in this effort by recognizing and addressing areas of potential and developing problems, with emphasis on activities and programs generated or continued under the new Farm Bill.

Special OIG emphasis was given to the Department's implementation of provisions of the Farm Bill relating to the Dairy Termination Program, Conservation Reserve and Production Adjustment Program, the Rice Loan Provisions, and the World Market Price for Cotton.

OIG has continued to emphasize fraud prevention and to alert the Department to areas where ongoing programs might be vulnerable or losses could occur, or where programs could lose their integrity and effectiveness, such as farm loans, crop insurance, production adjustment programs, nutrition programs, timber contracts, and food safety and inspection activities.

Summary of Investigative Activities

Investigative Reports and Cases

Total Reports Issued	828
Cases Opened	976
Cases Closed	531
Cases Referred for Prosecution	390

Monetary Impact of Investigative Activities

Indictments	276
Convictions	223
Total Dollar Impact	<u>\$19 Million</u>
Recoveries/Collections	\$2.0 Million
Restitutions	\$4.0 Million
Fines	\$2.0 Million
Claims Established	\$3.7 Million
Cost Avoidance	\$7.3 Million

Summary of Audit Activities

Audit Reports Issued

Total Reports Issued	399
Internal and Special Purpose Reports	217
Audits Performed Under the Single Audit Act and Other Organization-Wide Audits	41
Audits Under Contract	141
Total Dollar Impact	<u>\$ 357.2 Million</u>
Costs and Loans Recommended for Recovery	\$35.1 Million
Management Commitments to More Efficiently Use Funds	N/A ¹
Program Improvements and Improper Fund Allocations (Not Intended for Collection)	\$322.1 Million ⁴

Audit Reports Resolved/Closed

Reports Closed and/or Resolved	637
Internal Audit Recommendations Resolved	2797
Total Dollar Impact	<u>\$1,218.7 Million</u>
Management Commitments to Seek Recoveries	\$26.2 Million ^{2,3}
Management Commitments to More Efficiently Use Funds	\$41.4 Million ²
Program Improvements and Improper Fund Allocations (Not Intended for Collection)	\$1,151.1 Million ⁴

¹The value of management commitments to more effectively use funds is estimated at the time of audit resolution after the program agency has agreed to the reported amounts.

²These were the amounts agreed to by the auditee at the time of resolution.

³The recoveries actually realized could change as the auditees implement the agreed-upon corrective action plans and seek recovery of amounts recorded as debts due to the Department.

⁴Program improvements and improper fund allocations are monetary amounts known to have been expended erroneously or improperly, including statistical projections mainly for the purpose of alerting management to significant problem areas. This amount also includes findings involving unallowable costs incurred in good faith because of reliance on misleading, erroneous guidance, interpretations, or directions given or contained in regulations.

Prevention Activities

Implementation of the Food Security Act of 1985

As noted in our prior semiannual report, OIG evaluated the changes created by the Food Security Act of 1985. Specifically, OIG assembled a task team to determine the impact of the Act on the Department's programs and to provide early assistance to the Department in establishing and strengthening internal controls in the Act's implementing regulations. After the task team's initial review, OIG made a number of recommendations to preclude duplicate participation in more than one county, to improve agency procedures for reviews of participants' compliance with program requirements, and to ensure better coordination among the various agencies and programs.

Additionally, the task team concluded that OIG's primary audit efforts should be directed toward the Dairy Termination Program, the Conservation Reserve Program, and parts of the Production Adjustment Programs. We have now completed our initial audits of these three areas, the results of which follow:

Dairy Termination Program (DTP)

Under the DTP, the Agricultural Stabilization and Conservation Service (ASCS) anticipates making over \$1.8 billion in payments to almost 14,000 contracting entities over a 5-year period beginning April 1986. Producers will take approximately 12.3 billion pounds of milk out of production over an 18-month period by slaughtering dairy cows and not using milk production facilities.

In general, we found that ASCS effectively implemented the program to reduce milk production. However, we did alert ASCS to four areas of concern:

- ASCS was not able to identify those producers in bankruptcy who may not be able to control the disposition of their cattle or the use of their production facilities.
- ASCS did not have any assurance that leased cattle could or would be slaughtered or sold for export and that leased production facilities would not be used for 5 years.
- The dairy herd composition as reported on the contracts did not always reconcile with the dairy herd composition as of January 1, 1986, taking into account reported transfers in and out up to the bid date.
- The reported number of dairy cows was not always reasonable when compared to the adjusted preliminary base per a test established by ASCS, but which was not required to be made in many cases.

In response to our alert, ASCS issued a notice to all field offices which required them to (1) ensure that producers could maintain leased production facilities for the nonproduction period; (2) reconcile the producers' dairy cattle inventory; and (3) identify producers in bankruptcy prior to contract acceptance, to the extent possible.

During June 1986, OIG initiated a comprehensive audit to check compliance with DTP regulations and to follow up on the above issues in 15 States and 54 county offices with a large participation in the DTP. The \$454 million in anticipated payments to producers in these counties represents about 25 percent of the total nationwide, and includes 99 of the 156 contracts with anticipated payments over \$1 million.

As of September 30, 1986, we have identified and reported on the following issues:

- ASCS county offices were not always (1) performing required on-farm spot checks of dairy herds; (2) reconciling dairy cattle numbers during on-farm spot checks to dairy cattle numbers reported on the DTP contracts; or (3) following-up on discrepancies noted during spot checks. Thus, a major control to identify potential noncompliance with DTP contract provisions was not being effectively utilized.
- Further, ASCS county offices were not always (1) accounting for the disposal of all dairy cattle prior to issuing payments to producers; or (2) requiring evidence of disposal prior to issuing payments. For example, we noted that some cattle certified by producers as having been slaughtered were actually shipped out of State for future slaughter or for future export.

- Illustrative of the county offices for which we reported exceptions were two in one State that did not reconcile reported livestock numbers prior to the potential acceptance of 48 contracts, 27 of which amounted to over \$1 million each. One of the county offices also did not complete the reconciliation or obtain the producer's certification prior to issuing payments to two producers. In addition, this same county office permitted a producer to reduce his milk base by 1 million pounds, because the producer indicated he had an oral agreement to sell certain high milk-producing dairy cows. However, contract provisions require the producer to dispose of all dairy cattle in which he had an interest as of the bid date. The State ASCS office has acted to correct these conditions.

Conservation Reserve (CR) and Production Adjustment (PA) Programs

During our initial reviews of the CR and PA Programs, we noted that improved coordination was needed between ASCS, which administers the programs, and the Farmers Home Administration (FmHA). Specifically, we reported that FmHA borrowers were not receiving financial advice prior to submitting bids for the CR Program. Without proper advice, FmHA borrowers could enter into CR contracts which would limit their abilities to fulfill their financial obligations to FmHA. We also pointed out that FmHA has information which could be beneficial to ASCS when the latter determines program eligibility under PA Programs.

In response to our report, ASCS agreed to review information provided by FmHA concerning borrower status which may preclude participation in the CR and other ASCS programs, and to provide FmHA with a list of CR bid applicants.

FmHA agreed to promote coordinated administration with the CR and PA Programs by providing ASCS with the names of borrowers whose properties had been acquired and placed into inventory; by directing County Supervisors to request (1) a list of producers submitting bids for the CR Program; (2) a list of bids accepted for CR contract so that financial advice can be provided; and (3) by issuing an outline of actions to be initiated regarding the collection of annual rental payments for CR and the collection of payments under other ASCS programs.

Also, on the subject of coordination, OIG reported that participation in the DTP by FmHA borrowers could adversely affect USDA's security interest unless action was taken to require producers to

assign a portion of their DTP payments to FmHA. DTP provisions have a significant impact on the value of collateral securing FmHA loans since dairy cattle sold for slaughter normally bring a much lower price than those cattle sold for milk production. In addition, the milk production facilities cannot be used as such to generate income to pay off FmHA loans. Thus, we recommended that action be taken to require borrowers to assign DTP payments to FmHA, and that ASCS revise the DTP contract to require FmHA borrowers to obtain advance FmHA approval to participate in the DTP and to agree to assign an equitable share of DTP payments to FmHA.

In response to our concerns, ASCS issued a notice requiring all ASCS county offices to provide FmHA with a listing of all producers submitting bids and those for which contracts are accepted. FmHA issued a notice requiring FmHA county offices to analyze these producers' long term cash flow and repayment ability, and if necessary, to request assignments on the producers' DTP payments. However, our subsequent reviews regarding this issue disclosed that FmHA's procedures for obtaining assignments from borrowers still needed to be strengthened to better protect USDA's security interest. We are presently working with FmHA to correct the issue.

Rice Loan Provisions

OIG conducted a review of that portion of the Food Security Act of 1985 which stipulates that a producer could redeem rice loans at the lesser of the loan rate or the world market price applied to 1985 rice. The review identified a commercial warehouse that had accepted delivery of rice from producers at agreed-upon prices prior to enactment of the Food Security Act. After passage of the Act, the warehouse and producers mutually agreed to cancel their agreements. The warehouse then issued the producers warehouse receipts which the producers used to obtain Government price support loans. Since the world market price was established at about half the loan rate, the warehouse redeemed the loans on behalf of the producers, with the warehouse and the producers sharing about equally in the resulting benefits.

OIG obtained a legal opinion from the Office of the General Counsel stating that legal title to the rice transferred to the warehouse when producers delivered the rice at agreed-upon prices. Therefore, the producers were not eligible for the price support loans.

An initial OIG review identified 10 producers who were not eligible for 12 warehouse-stored loans, totaling \$396,256. At the time of our review, 11 of these loans had been redeemed at the world market price for \$204,967, which was \$158,035 less than the original loan rate. ASCS has agreed to recover the ineligible loans, including interest. OIG is performing additional audit work to determine the total extent of this condition.

World Market Price for Cotton

The Food Security Act of 1985 requires the Department to publish a formula for calculating the difference between the U.S. cotton price support level and the current world market price. The overall intent is to adjust the U.S. pricing structure to make our commodities more competitive on the world market.

Our review of the formula developed by the Department concluded that the formula may not result in a price that will be representative of the average price of world cotton exports. The formula did not (1) use weighted average prices based on actual sales of cotton; (2) consider high and low grades of U.S. cotton sold in world trade; (3) use actual sale prices of all countries exporting cotton including the United States; and (4) evaluate the accuracy of the price information used in determining the world market price.

The need for a reasonably accurate computation is supported by the estimate that every 1 cent change in the world market price of cotton will affect the Commodity Credit Corporation (CCC) disbursements by about \$15 million.

ASCS took some actions to improve the marketing of low grade cotton in the United States and improved the accuracy of price information used in determining the world market prices. The agency is currently evaluating its formula in line with our recommendation concerning the weighted average price for cotton.

Servicing and Supervision of Delinquent FmHA Borrowers

OIG continues to provide audit coverage of FmHA's implementation of revised servicing procedures for farm program borrowers that resulted from a recent court decision. In our prior semiannual report, we reported visiting 14 counties in seven States to determine if delinquent borrowers had been properly notified of their delinquencies and of FmHA's intent to take adverse action. As a result of our early visits,

we issued interim reports with recommendations for five States and the National office. The interim reports addressed various problems that had manifested themselves early concerning borrower notifications and the unrealistic farm and home plans (F&HP) developed to support current year operating loans and other servicing actions. We considered the F&HP's to be unrealistic because of questions regarding commodity prices, commodity yields, or known expenses which had been omitted or reduced without justification. Except for establishing a reporting system, called the Servicing and Guaranteed Activity Report (SAGAR), for tracking and monitoring progress in servicing delinquent borrowers, the corrective actions taken on the interim reports have been quite limited. We continued our efforts during this reporting period with visits to four additional States. Some of the results to date are:

- SAGAR's are often inaccurate because of incorrect data submitted by field office personnel. Some borrowers in both nonmonetary default and monetary default were reported in both categories, resulting in duplicate reporting. Unless the basic SAGAR data is corrected, FmHA managers will be unable to properly monitor the actions taken to service the borrower accounts.
- Backlogs of unresolved borrower default cases are developing at the county office level. Counties have not been preparing and submitting problem case reports in a prompt and systematic manner. In some counties, such reports had not been prepared although large numbers of borrower cases were classified as being in default and the borrower had not responded to FmHA's notices of intent to take adverse action. The backlog of such cases will likely impede completion of actions on other borrower default cases. For example, as of June 30, 1986, one State's statistics show that only 671 of the 3,658 borrower cases in default had been resolved. The statistics further show that only 69 problem cases have been submitted to the district directors and that only 24 cases have been accelerated. The State has recognized these backlogs and has established goals for resolving all cases by mid-December 1986.
- Some borrowers with Rural Housing (RH) loans have still not been notified of FmHA's intent to take adverse action on their farmer program loans which were in monetary default. Such notifications have been delayed pending acceleration of the RH loans in accordance with FmHA regulations. Unless the notifications are made in the near future, it is unlikely that such cases can be resolved this year.

- Borrowers are still being provided operating loans and other servicing actions without realistic F&HP's showing that a positive cash flow position exists. We noted a few instances where new loans were made despite F&HP's showing a negative cash flow. We have noted numerous other instances where the supporting F&HP's were not realistic because of obvious errors or omissions in the income, expense, or debt repayment data. Similar errors and inconsistencies were reported in our interim reports, but only limited corrective actions were taken.
- Inconsistencies have been identified regarding the processing and handling of the various servicing actions. Some borrowers were granted appeal rights even though regulations and the notice of intent to take adverse action specifically provide that appeals will not be allowed. Other borrowers were permitted to change options they initially selected, and the time for completing the new options was extended. Such inconsistencies increase the risk of further legal action.

We are continuing our monitoring efforts of FmHA's revised servicing procedures including the actions being taken to cure the borrowers' loan defaults.

Federal Drought Assistance

Because of serious drought conditions during 1986, over 400 counties in 13 southern and eastern States were approved for emergency assistance, including low interest loans from FmHA and emergency feed assistance administered by ASCS. On July 24, 1986, USDA instituted a Departmentwide drought task force charged with implementing a series of USDA actions including a toll-free hot line, modifications of certain USDA farm programs to ease the drought's effect on farmers, and increased personnel in county offices to ensure prompt delivery of services. Also, fact-finding teams were sent to drought areas in the Southeast. On August 12, 1986, the President announced the formation of a Federal Drought Assistance Task Force to monitor drought conditions and prepare an action plan to assist farmers in the Southeast. Congress has also proposed legislation to provide additional forms of assistance.

OIG has been monitoring the Department's efforts and tracking new programs that might be undertaken. We plan to provide audit coverage as assistance is provided so that any problems or weaknesses might be identified, reported and corrected early on.

OIG Legislative/Regulatory Review Activities

Year-End Spending

OIG commented on a Secretary's Memorandum entitled "Reducing and Controlling Wasteful Year-End Spending." This memorandum is an annual reminder to agencies to monitor the propriety of fourth quarter procurements. We proposed that this memorandum include a statement that the obligation of expiring appropriations constitutes a reportable violation of the Antideficiency Act, whenever the purchase does not serve a bona fide need in the year procured. The inclusion of this citation should be a deterrent to unnecessary acquisitions.

Guidelines on Nonprocurement Debarment and Suspension

OIG provided comments to USDA on the Office of Management and Budget's proposed Guidelines on Nonprocurement Debarment and Suspension. We recommended that the scope of the Guidelines be broadened to encompass a wide range of nonprocurement activities. This wider range would include all transactions regardless of dollar level, all employees, and direct and indirect charges. With regard to the nonperformance criteria, we suggested that debarment and suspension should result from, among other things, willful or material failure to perform, and that it should have Governmentwide effect. Since the goal of the program is to maintain a high standard of integrity Governmentwide, performance problems an agency encounters will be of interest Governmentwide. We also stated that, with regard to access to the debarment listing, it would be desirable to maintain an automated on-line system which could be easily accessed to expedite individual inquiries.

False Claims Act Amendments

Several bills have been introduced in Congress relating to false claims and civil penalties. OIG commented on two letters drafted by the President's Council on Integrity and Efficiency's (PCIE's) Legislation Committee expressing views on the testimonial subpoena authority and beneficiary exemption provisions of HR 4827. We recommended concurrence with the PCIE position that the blanket exemption currently provided is too broad and is unnecessary. We further stated that we believed there should be no restrictions on the grant of authority for OIG use of testimonial subpoenas. (The final form of the bill, however, contained no grant of authority whatsoever.)

Small Community and Rural Development

Farmers Home Administration (FmHA)

FmHA is the Department's credit agency for rural development and agriculture. As of June 30, 1986, FmHA had about 1.3 million active borrowers and a loan portfolio of about \$70.1 billion, including \$3.6 billion in guaranteed loans.

Loan and Grant Funds Were Not Allocated Equitably and Were Not Used Efficiently

We reviewed FmHA's methods and formulas for allocating loan and grant funds among States and found that certain States did not use substantial portions of their allocations, and that the methods and formulas did not ensure that annual appropriations of about \$7 billion were equitably allocated. On June 10, 1985, the methods and formulas used to distribute loan and grant monies were published in the Federal Register for the first time. The publication was made to comply with a court order that funding allocation formulas for Sections 502 and 504 Single Family Housing Loan Programs be made public; however, FmHA chose to publish the formulas for all programs. The distribution methods and formulas are FmHA's administrative controls for ensuring equitable allocation of funds among States. Total appropriations for FmHA loans and grant programs for fiscal years (FY's) 1984 and 1985 were about \$6.7 billion and \$7.3 billion, respectively.

Specific objectives of the audit were to evaluate (1) the rationale for the methods and formula criteria for allocating funds; (2) the equity of the methods and formula criteria; (3) the compatibility of distribution methods and formulas with loan eligibility requirements; and (4) compliance with the published allocation process.

The conditions identified were:

- FmHA's formulas for allocating loan and grant funds among States were not compatible with program requirements and objectives and did not ensure equitable distribution. Our review of FmHA's basic formulas showed that (1) there were no written justifications or scientific analyses to support the basic formula criteria selections; (2) the calculation of basic allocation factors for farm programs did not comply with criteria in the Federal Register; (3) the rationale for using several criteria was not representative of the needs of the respective loan programs, and was not compatible with eligibility requirements; and (4) the basic formula allocations

had transition limits that restricted States from receiving funds based on calculated needs. Because of these conditions, there was no assurance that about \$5.3 billion in FY 1985 funds allocated by the basic formula method was equitably distributed among States.

- FmHA used a base allocation method to distribute an additional \$1.3 billion in loan and grant funds among States in FY 1985. The objective of the base allocation method was to fund at least one typical loan per State, district, or county office. Our review showed that (1) base allocations appeared unnecessary because the objective of funding a typical loan in each State, district, or county office was generally met through the basic formula allocation; (2) the base allocation method, predicated on the number of district or county offices, inequitably favored States with more district and county offices; and (3) inconsistent criteria were used from year to year for farm operating loan base allocations, instead of the regulatory criteria of funding one typical loan per county office.
- FmHA did not utilize substantial amounts of Rural Housing (RH) funds allocated for loans to very low income households. During FY's 1984 and 1985, about \$401 million and \$510 million, respectively, allocated for housing loans to very low income households, were not obligated. The \$911 million of unobligated funds represented 50 percent of the funds allocated for very low income households for the 2 fiscal years. FmHA officials stated that the cost of housing and doubtful repayment ability of most very low income households limited the number of applicants who could qualify for loans. Congress mandated that 40 percent of single family RH loan applications be restricted to serve the housing needs of the Nation's lowest income households.

FmHA agreed to evaluate and document the rationale for the methods and formulas used to allocate loan and grant funds. FmHA has also published a proposed rule on housing containment methods which should facilitate usage of fund allocations for very low income housing.

Controls Needed on Yearend Funds in the RH Program

In another audit of the RH Program, the problems which can result from the fourth quarter pooling of

unused fund allocations became apparent. In FY 1984, RH funds totaling \$230 million were pooled on July 13, 1984, and made available to the States on a first-come-first-served basis. One State received \$145.6 million (63 percent) of the pooled funds for 3,789 housing loans. The FmHA administrator became concerned about the abnormal fiscal yearend application processing and loan-making activity and sent an FmHA assessment team to review the situation. Based on the results of the review, he requested that OIG review the propriety and quality of the loans made under the rush conditions.

We reviewed 113 loan approvals totaling \$4,491,640. These loan approvals were judgmentally selected from the files in seven county offices. Our findings and conclusions included:

- The first-come-first-served basis of fund allocation resulted in a hurried effort to obligate funds for a large number of loans before the fiscal year ended on September 30, 1984. This effort encouraged circumvention of internal controls and established procedures.
- State officials had not established internal controls to ensure that the processing of RH applications was consistent with FmHA instructions.
- The family budgets for 50 of 113 borrowers reviewed had not been properly prepared and analyzed by FmHA county staff to determine if the borrowers/applicants had repayment ability.
- The State office improperly classified an urban area as rural, resulting in the construction of six FmHA-financed houses in an ineligible urban area.
- Ten borrowers owning and occupying mobile homes received RH loans without a determination by FmHA of the suitability of those mobile homes. FmHA routinely considered mobile homes as unsuitable, although FmHA has had authority to make loans for modular homes, and recently got authority to make loans for mobile homes.
- Eight borrowers were ineligible for RH loans because their incomes exceeded the limit for FmHA assistance.

We recommended that FmHA establish maximum obligation limits for pooled funds for each State which can be monitored and controlled through FmHA's computer system and which cannot be exceeded without the Administrator's approval. Considerations in establishing the limits should

include the allocations of pooled funds to States only when (1) proof exists that funds requested are needed; (2) the States requesting allocations have established controls for targeting funds to eligible borrowers; and (3) staffing at county offices is adequate to process the increased number of loans in an orderly fashion.

FmHA provided a positive response and agreed to take the recommended actions.

Investigations Disclosed Employee and Contractor Abuses in FmHA's Housing Programs

Both the RH Program and the Rural Rental Housing (RRH) Program depend upon contractor bids to furnish program participants with suitable housing. Recent OIG investigations of these programs have found cases of contractor fraud and conspiracy.

A Texas FmHA County Supervisor and a New Mexico land developer were named in a 55 count indictment involving a bribery scheme which allegedly occurred between October 1982 and October 1983. The County Supervisor, who was then an Assistant County Supervisor, was charged with 27 counts of accepting bribes and one count of conspiracy. The land developer was charged with 27 counts of offering bribes and one count of conspiracy. A third individual, who acted as a go-between, was charged with one count of conspiracy. The bribes, which ranged from \$500 to \$1,400 per FmHA loan, were paid in exchange for the Assistant County Supervisor's improper approval of RH loans for homes built by the land developer.

A North Carolina contractor, who participated in the FmHA RRH Program, caused the ownership of one FmHA-mortgaged house to be transferred to him without the knowledge or authorization of FmHA. He later resold the house, at which time his scheme was discovered, and it was determined that FmHA lost \$4,432 on the related transactions. The contractor pled guilty to two counts of converting money and property belonging to the U.S. Government to his personal use. He was sentenced to 6 months probation; ordered to pay restitution of \$4,432 and reimburse \$11,318 for the cost of the investigation.

Two Michigan real estate developers were charged in a 13 count indictment for defrauding the FmHA of \$1,067,000 in connection with the financing and construction of 13 multi-family housing projects. The developers allegedly provided FmHA with inflated reports about the cost of subcontractors to build the

housing units. The illegally obtained loan funds were used to pay subcontractors for work on other construction projects and to pay for work done on various other projects owned by the defendants.

Update on FmHA Matters Disclosed in Previous Semiannual Reports

A Florida contractor and his employee pled guilty to charges of conspiracy, bribery, and filing a false statement in connection with RRH contracts. Both were sentenced to jail terms, placed on probation, and ordered to pay fines totaling \$15,000. Also, civil actions were filed against the contractor's company seeking recovery of damages in excess of \$450,000.

An RH loan packager, a developer, and three building contractors were convicted of giving gifts and gratuities to the former chief of the FmHA RH division in Mississippi in exchange for favorable consideration of their RRH loan applications. (The former chief was acquitted of charges of accepting bribes.) The five defendants were fined amounts ranging from \$5,000 to \$10,000 and placed on probation from 3 to 5 years; four of the defendants were ordered to make restitutions totaling \$529,250, and three also received jail terms ranging from 4 months to 1 year. Additionally, FmHA deobligated four RRH loans totaling \$4,669,250, which had been approved for the defendants in this case.

Greater Controls Needed in Labor Housing (LH) Program

The basic objective of domestic farm LH loans is to provide decent, safe, and sanitary housing and related facilities for domestic farm labor where a need exists and when there is reasonable doubt that the housing can be provided without the loan assistance. The interest rate on these loans is one percent, and the term may be up to 33 years.

We reviewed FmHA's management and supervision of the LH loan program in 7 States and 14 districts involving 46 borrowers with loans totaling \$23,371,805 and grants totaling \$20,887,077. Our objectives were to determine whether FmHA administered the LH loan program in accordance with applicable laws and regulations and whether it provided supervision and servicing to ensure that the program was meeting its intended objectives.

We found that FmHA needed to strengthen internal administrative controls to ensure that program objectives were met. The supervision and servicing of existing loans were inadequate, and we found large numbers of ineligible borrowers and vacant units as well as other problems in all areas of the program.

- Some State directors had not established adequate internal administrative controls to ensure that the State and district staffs understood and carried out their responsibilities, and there was little or no documentation in the loan files to show State office involvement in the LH program.
- FmHA does not require borrowers to establish rental rates according to the tenants' ability to pay, and some families were living rent free or paying low rents regardless of their income. Tenants interviewed reported annual incomes up to \$40,500.
- We found ineligible tenants in 523 units involving 25 of the 46 borrowers selected for review. The ineligible tenants were not farm laborers, were not low income farm laborers, were members of the borrowers' immediate family, or did not meet the established occupancy standards.
- We found 147 vacant units involving 13 borrowers who received loans and grants exceeding \$14 million. Many of the units had been vacant for extended periods without effective servicing by FmHA.
- In 3 States, 12 borrowers who received loans of \$930,560 for 39 units had substantial net worths and could have provided the housing from their own resources or obtained the necessary credit from other sources.
- Rental Assistance (RA) was overallocated to some projects and not made available to eligible tenants in other projects. Some borrowers had not used the RA assigned and had been assigned more RA units than there were apartments in the project.
- Extensive grant funds and RA were being approved for the same projects without adequate justification. As a result, borrowers made only minimum contributions, and the Government provided almost total subsidies for construction and operating costs.
- Seven single family housing borrowers were improperly charging rent to 23 of their tenants without FmHA's knowledge. This is a direct violation of regulations and could result in borrowers profiting from participation in this heavily subsidized program.

We recommended that FmHA strengthen internal administrative controls to ensure that the LH program achieves its intended objectives. Increased guidance and training should be provided to applicable State, district, and county office personnel to ensure that they are aware of their responsibilities

and duties for servicing and supervision. FmHA published regulations on July 2, 1986, which clarified definitions for eligible domestic farm workers and income from farm labor; and established tenant income limits. Further rule changes are planned which will clarify the responsibilities of district and county offices and strengthen administrative controls over other weaknesses identified by our audit.

Designation of Eligible Rural Lending Areas

We reviewed FmHA's designation of eligible rural lending areas in nine metropolitan statistical areas in three States. The audit objectives were to determine whether (1) current FmHA instructions were adequate and sufficiently clear to ensure correct rural area determinations; (2) FmHA field personnel complied with current instructions; and (3) sufficient internal administrative controls were in place at the National and State levels to ensure compliance by field personnel.

In order to make rural area determinations, FmHA county supervisors and district directors designate rural and urban areas based upon guidelines and criteria contained in FmHA instructions. State directors were to establish all eligible rural areas by September 30, 1985, after reviewing reports submitted by county supervisors and district directors.

Two of the three States included in our survey had not properly implemented National office instructions concerning establishment of eligible rural areas. We found that many FmHA field personnel were reluctant to classify urban areas as ineligible due to the resulting decrease in loan-making activity. This condition shows a need for the National office to establish controls, including followup checks at the State and local levels, to ensure that rural area determinations are correctly made.

FmHA personnel in two States had not made rural area determinations in accordance with FmHA instructions. We found that (1) some county and district office personnel established boundary lines along corporate city limits rather than at rural area boundaries; (2) there was little consideration of 5-year plans for future development of residential and commercial property; (3) industrial parks, mountains, rivers, flood plains, etc., were being considered as open spaces; and (4) second-party reviews by district, State, or National office personnel were inadequate or nonexistent. As a result, FmHA has continued to make RH loans in urban areas. Since

October 1, 1985, county and district personnel had made, obligated, or were in the process of making 56 RH loans totaling \$2,151,100 and 4 RRH loans totaling \$5,777,950 in the areas we considered ineligible. Examples of areas we considered ineligible are:

- Our review of a large, primarily metropolitan county disclosed that four areas in the county were improperly classified as rural. We found that two cities in the county were not classified as ineligible although they were closely associated with an urban area and were not separated from the ineligible areas of the county by open spaces of agricultural or undeveloped land. We also found several locations outside another ineligible city improperly classified as eligible rural areas. On February 13, 1986, FmHA approved an RRH loan of \$1,083,950 for the construction of 35 units in what should have been classified as an ineligible area. FmHA was also approving RH loans in several of these areas we considered ineligible in the county.
- In one location that was not a Metropolitan Statistical Area, two areas that neighbored a city were considered eligible for FmHA loans even though the city itself was considered ineligible because its population exceeded 25,000 according to the 1980 census. One of the neighboring areas was separated from the city only by a river and was accessible to the city via bridges and highways. The other neighboring area, east of the city, was contiguous but was nevertheless considered eligible. Neither of the two neighboring areas were separated from the city by undeveloped or agricultural land.

FmHA had two preapplications for RRH Section 515 loans totaling \$4,490,000 in these areas. The assistant county supervisor agreed that the two areas should be considered ineligible.

We recommended that FmHA establish internal administrative controls, including effective second-party reviews, to ensure that all States follow FmHA instructions regarding establishing rural area boundaries in the future. We also recommended that FmHA (1) use ASCS aerial photographs and current city and county maps rather than relying entirely on personal or visual observations; (2) consider 5-year development plans for areas being reviewed; and (3) follow existing instructions concerning physical barriers.

FmHA Should Seek Recovery of \$6 Million in Business and Industrial (B&I) Loan Losses From Lenders

Prior semiannual reports included the results of our last nationwide audit of guaranteed B&I loan liquidations which found continuing deficiencies in lender loan-making and servicing actions. Specifically, we found that lenders (1) had not accounted for loan funds and liquidation proceeds or had allowed their misuse; (2) were in conflict of interest with borrowers; (3) had not protected and maintained collateral positions prior to and during liquidation; and (4) had submitted inadequate liquidation plans and final loss claims. Based on this and prior audits, FmHA agreed that liquidation cases will be referred to OIG for audit where the loan or loans to a single borrower exceed \$3 million. We have also encouraged FmHA to refer other liquidation cases when problems are suspected or the case is highly complex.

During the past 6 months, we completed seven audits of B&I liquidation cases at the request of FmHA State office personnel. These seven audits covered guaranteed loans of \$18.1 million and recommended recovery or disallowance of losses claimed by lenders totaling about \$6.3 million. Deficiencies in lender loan-making and servicing actions continue to be a primary cause of losses.

One example involved a \$3.2 million loan extended for the purchase of machinery and equipment used for drilling oil wells. Actual machinery and equipment purchases fell at least \$520,000 short of planned purchases, resulting in a collateral shortage of an equal amount. This collateral shortage violated conditions of the loan guarantee required by FmHA. We also found that loan funds of about \$868,000 were used to pay unauthorized costs while loan guarantee conditions specifically required the borrower to pay from funds other than the loan. An additional \$131,000 in loan funds were transferred to a borrower operating account and the use made of these funds could not be determined. This transfer to borrower operating funds was improper because loan funds earmarked for working capital purposes had already been disbursed to the borrower. We recommended that FmHA refer our findings of lender noncompliance to the Office of General Counsel for legal assistance in seeking to recover amounts expended under the loan guarantee.

Former South Carolina Official Guilty of Loan Theft

An insurance agent and a prominent South Carolina farmer who was formerly a member of the South

Carolina State House of Representatives, were found guilty of conspiring to steal \$101,047 in disaster relief money from loans issued through FmHA's Emergency Loan Program and for causing false records to be submitted to a Federal Grand Jury. Each was sentenced to serve 2 years in prison, followed by 5 years probation.

Salary Offsets Needed For Federal Employees with Delinquent FmHA Loans

We conducted audits in five States to identify Federal employees with FmHA loans. Our analyses disclosed 302 Federal employees with 642 loans that were delinquent by \$11.5 million. We estimated that FmHA could collect about \$366,000 the first year and \$289,000 annually thereafter through salary offsets in the five States audited.

FmHA had not imposed salary offsets against Federal employees delinquent on their loans at the time of our audits because the required implementing regulations had not been published. Although OMB Circular A-129 was issued on May 9, 1985, and USDA's final implementing regulations were published on March 17, 1986, FmHA had not issued its own regulations implementing procedures for salary offsets.

We also found that FmHA had not conducted effective graduation reviews of loans made to Federal employees. We identified 619 loans totaling \$10,678,310 outstanding to Federal employees whom we believe should have been required to graduate to commercial lending sources. The Federal employees were not required to graduate to commercial lending sources because FmHA either had not conducted the required graduation reviews or the employees understated household income.

Based on our audit results to date, we concluded that systemic corrective action will be needed at the National level. Namely, (1) priority should be given to issuance of regulations for conducting computer matches with Federal income sources and implementation of Federal salary offsets for collection of delinquent debts; and (2) computer income matches of non-Federal earnings in the files of State employment security commissions should be made in the graduation review process to verify total household income.

Conversion of Mortgaged Property Still A Problem for Farm Loans

For some FmHA loans, producers must pledge equipment, livestock or crops as collateral. The

subsequent sale, or "conversion," of the mortgaged property, without FmHA's knowledge or consent, reduces FmHA's security in the loan, and could risk the entire loan amount. Examples of the cases of conversion we investigated this period were two in which the producers went to some effort to conceal the conversion:

- A California farmer was charged in a two count indictment for conversion of crops mortgaged to FmHA. The subject pledged the crops as security for a \$618,207 loan from the local Production Credit Association (PCA) during 1979 and between 1980 and 1982 as security for loans from FmHA totaling \$430,000. The subject sold his 1982 wheat crop to a feed lot without PCA's or FmHA's permission. In June 1982, he received a \$177,000 check for the remaining net proceeds of the wheat. In July, after telling FmHA the check was still at the feed lot, he began "rolling over" a series of cashier's checks to keep the money out of bank accounts where FmHA might have been able to attach it. The subject's debt to FmHA is currently in excess of \$400,000.
- A North Dakota farmer converted \$53,000 worth of grain mortgaged to FmHA. A number of the sales were made in his mother's name to avoid detection. He used the proceeds to take trips to Las Vegas; make a downpayment on his daughter's home in Laguna Hills, California; and purchase jewelry for his daughter and his girlfriend. The farmer was placed on probation after pleading guilty to conversion charges.

Federal Crop Insurance Corporation

The Federal Crop Insurance Corporation (FCIC) is a wholly owned Government corporation created to promote the economic stability of agriculture through a sound system of crop insurance. In 1985, FCIC protected, either directly or through reinsured companies, over \$7 billion of crops on 48 million

insured acres. It had only \$458 million in premium income, compared to \$685 million in indemnity payments, for a loss ratio of about 1.5. Unfavorable loss ratios in every year since the program was expanded in 1981 have depleted FCIC's capital stock and resulted in the need for substantial supplemental borrowings. In 1985, the Congress authorized FCIC to borrow from the U.S. Treasury to meet indemnity payments.

FCIC Actuarial Soundness Jeopardized

FCIC cannot generate sufficient premium income over time to pay crop losses as required under the Federal Crop Insurance Act of 1980 as well as pay underwriting gains to reinsured companies. We found that FCIC shared underwriting gains and losses in the Crop Reinsurance Program with the reinsured companies although the Act did not specifically provide for the funding of this activity. FCIC's premium rate structure, developed in accordance with the Act, is only designed to generate sufficient premium income to pay normal crop losses plus establish a reserve for catastrophic losses. To date, sharing gains and losses with reinsured companies has had a minimal impact on the program. However, FCIC needs to address the funding deficiency, because it could jeopardize the actuarial soundness of the program by reducing reserves needed to pay normal and catastrophic crop losses in the future. We recommended that FCIC discontinue using premium income to fund the underwriting gains and losses realized under the Crop Reinsurance Program and seek an alternate source of funding for this program provision.

FCIC did not agree that use of premium income for underwriting gains and losses should be discontinued. FCIC is researching authorities granted under the above-cited act and has proposed a legislative initiative as an alternative to the audit recommendation.

International Affairs and Commodity Programs

Agricultural Stabilization and Conservation Service (ASCS)

The ASCS administers commodity and related land use programs designed for voluntary production adjustment; resource protection; and price, market, and income stabilization. ASCS also administers the Commodity Credit Corporation (CCC), a corporation which is wholly owned by the Federal Government and which funds most of the programs administered by ASCS.

CCC promotes agriculture exports through sales, payments, guarantee of credit, and other operations. Fiscal Year (FY) 1986 net outlays for ASCS are estimated at \$224.6 million for conservation programs and salaries and administrative expenses, and for CCC at \$25.5 billion for production adjustment and price support programs and commodity purchases.

\$50,000 Payment Limitations Exceeded

Under production adjustment program provisions, total program payments for feed grain, rice, upland cotton, and wheat to any one individual or entity are not to exceed \$50,000 per year. For payment limitation purposes an individual or entity is defined as an individual, joint stock company, corporation, association, trust, estate, or other legal entity that has a separate and distinct interest in the land or crop, exercises separate responsibility for the interest described, and is responsible for farming costs related to the interest from a fund or account separate from that of any other individual or entity. Thus, while a large one-person farming operation is limited to \$50,000 per year, partners in a similar operation could each receive up to \$50,000 a year. State and County Committees are responsible for reviewing farm operating units and assuring that maximum payment limitations provisions are not evaded or abused.

In a prior audit performed in eight States, OIG reported that 46 of 104 entities reviewed did not qualify as separate "persons" for purposes of the \$50,000 payment limitation. These producers received or were scheduled to receive 1982 and 1983 payments totaling \$1.7 million, all in excess of the payment limitation. A followup audit employing statistical sampling techniques is currently in process and has found similar problems. Fieldwork has been completed at 30 counties in seven States and draft

reports and/or final reports have been issued covering 29 counties. Of 986 randomly selected entities reviewed, OIG questioned the separate person designations of 238 entities. These entities received or are scheduled to receive 1982 through 1985 payments totalling over \$13 million in excess of payment limitations that OIG determined should have been applicable.

One example of where entities have been created to qualify for more than one \$50,000 payment limitation includes a family group in which separate entities were established for the father, a corporation consisting of the father and a son, a son, another son, and a limited partnership consisting of the father and a third son, all of which totaled \$250,000 in 1985 program payments alone. OIG concluded that the family group should have been combined as one entity and limited to \$50,000 for payment limitation purposes as the father performed custom farming services and guaranteed crop financing for all the individuals and entities. Further, the formation of the new entities did not involve bona fide and substantive changes because the family group continued to farm the same land with the same equipment.

Farmers clearly have an incentive to create additional entities for payment limitation purposes because of escalating Government payments. Market prices for feed grain, rice, cotton and wheat have decreased while target prices have remained essentially the same. This increases Government payments since deficiency payments are based on the difference between target prices and average market prices. Thus, more farmers will reach the \$50,000 payment limitation sooner. This in turn will result in considerably more "person" determinations and reviews that will need to be made at the county, State, and National levels. During our current audit, OIG is continuing to find problems such as the following:

- Program payments were made without requiring the producers to furnish Farm Operating Plan For Payment Limitation Review forms, complete in detail and with supporting documents to enable the County Committee to make correct "person" determinations.
- Producers were not carrying out farming operations as shown on their farm operating plans, and

County Committees were not making required compliance reviews of the plans before final payments were issued.

- Increases in the number of "persons" for payment limitations were made although the changes in farming operations were not bona fide and substantive.
- Members of partnerships or joint ventures were not making contributions to the joint venture commensurate with their claimed shares of program proceeds.
- Individuals or legal entities performing custom farming who also had an interest in the crop or farm were not considered one "person" with the individual or legal entity for whom the custom farming was performed.
- Identification numbers of producers who were not considered separate "persons" which should be combined for payment limitation purposes had not been furnished to the Kansas City Management Office. Such producers included husbands and wives, parents and minor children, corporations and majority stockholders.

OIG will analyze the results of these State and county audits and will recommend changes to improve controls over payment limitations.

Investigations of Mortgaged Grain

Cases of the illegal, sale, or "conversion," of grain mortgaged to CCC continue to trouble ASCS's loan programs. In a North Carolina case, for example, a farmer was charged with converting 7,329 bushels of soybeans pledged as security for a \$37,231 loan. In a Nebraska case, a father, son, and daughter, each with their own farming operation, admitted converting about 37,000 bushels of grain. Each was sentenced to from 2 to 3 years probation, and required to pay restitution which jointly totalled \$78,819. More noteworthy, however, was a Texas case, in which a farmer converted \$67,470 worth of grain sorghum. Investigations disclosed that the farmer had disposed of his loan collateral, leased his grain storage facility to a third party who had filled the bins, and represented the third party's grain to ASCS and OIG as his own mortgaged grain.

Sentencing In Loan Forgery Case

A Minnesota farmer was sentenced to serve 6 months in prison and 5 years probation, and ordered to pay \$140,000 restitution as a result of his conviction for making false statements to CCC. When the farmer obtained his CCC loans, he certified there were no liens on the 62,554 bushels of corn he pledged as collateral. However, he had previously granted his bank a security interest in the corn. The bank's first lien was discovered by ASCS after a spotcheck of the loan collateral disclosed most of the corn had been removed from storage without authorization. Also, during the investigation a grain buyer furnished a cancelled check issued jointly to the farmer and CCC on which the CCC endorsement had been forged.

Distiller Gets 3 Years For Contract Fraud

The former owner and operator of a Missouri distillery was sentenced to 3 years in prison, 5 years probation, and a \$3,000 fine for violation of Federal Mail Fraud statutes. The distiller was indicted in 1984 for using the United States mail to send fraudulent information about the sale of alcohol to the ASCS. The distiller had a \$500,000 contract with ASCS to convert 135,000 bushels of Government-owned, low quality corn into alcohol. The Government paid the distiller 68.5 cents for each gallon of alcohol produced. The distiller sold some of the Government corn and the alcohol without sending the proceeds to the Government, and used the monies for his personal use. The indictment of this individual was reported in a prior semiannual report.

Dairyman Guilty Of Milk Diversion Fraud

A California dairyman and his neighbor were convicted of conspiracy, false statements and perjury in connection with the dairyman's participation in the ASCS Milk Diversion Program. The dairyman conspired with the neighbor to conceal production from dairy cows during the program period, in violation of program regulations. The dairyman received \$26,000 under the Milk Diversion Program and had filed claims for an additional \$136,000. Sentencing is pending.

Food and Consumer Services

Food and Nutrition Service

The Food and Nutrition Service (FNS) administers five programs: Child Nutrition, Special Supplemental Food for Women, Infants and Children, Food Stamps, Special Milk, and Food Donations. Estimated spending for FY 1986 is \$18.6 billion of appropriated funds.

Child Nutrition Programs

The Child Nutrition Act of 1966 authorizes payments to States that provide milk, lunches, and breakfasts to school-age children. Approximately \$3.8 billion was spent for the National School Lunch (NSLP) and School Breakfast Programs (SBP) in FY 1985, serving 44.7 million children.

FNS Should Require Wage Matching in the NSLP and SBP

OIG has continued to monitor the effectiveness of the income and eligibility verification process in the NSLP and the SBP. We have documented error rates which are indicative of continuing weaknesses in the controls over the verification process.

In a recently completed audit at three statistically sampled school districts, OIG reviewed applications to verify the households' eligibility for free and reduced price meal benefits, and determined that about 17.9 percent of the students were incorrectly participating in the NSLP and SBP. We projected that about 22,618 students were either ineligible or received excessive meal benefits of \$2.4 million. The primary cause of the ineligible participation was directly attributed to unreported family income. Wage matching, a recognized effective method of verifying income, was recommended to reduce the amount of ineligible benefits received in the NSLP and SBP.

As a result of legislation mandating income verification of a percent of applications for free and reduced benefits there was a significant decrease in the amount of ineligible benefits. In 1980, prior to the regulatory requirements for collection of social security numbers and income and eligibility verifications, OIG conducted an audit to determine how much incorrect income information was furnished by parents on free and reduced price meal applications. The results showed that 27.5 percent of the applications were improperly approved. This audit also

showed that income could be verified with little difficulty through computer matches with sources such as State Departments of Labor and Welfare, and local Social Security Administration offices if social security numbers were provided. At that time households were not required to furnish social security numbers. OIG attributed the cause for more than 90 percent of the incorrect applications to inaccurate income reporting by the households.

Another OIG audit conducted in 1984 at one large school district, after the enactment of provisions for income verification in the NSLP and SBP, showed approximately 11 percent of the participating households were receiving benefits in excess of allowable limits. To obtain these results OIG performed a wage match of household income reported on the application with wage information supplied by a State agency. OIG concluded from the audit results that the verification procedures required by FNS regulations were generally followed, but were not adequate to disclose those households that did not report all of their income.

In 1985 the General Accounting Office (GAO) conducted a review to validate income verifications at eight randomly sampled school districts, and found an average error rate of 29 percent. GAO also found that FNS verification procedures were generally complied with by the school districts and recommended wage matching as one option to strengthen the income and eligibility verification process and reduce erroneous participation in the NSLP and SBP.

FNS concurred with the conditions cited in each of these reports and generally agreed that wage matches would strengthen the verification process and effect a reduction in ineligible benefits. OIG is currently working with FNS on the issue of the need for a nationwide policy to require school districts to implement wage matching of the NSLP and SBP.

Administrative and Accounting Controls Have Improved in The NSLP

In 1986, OIG's audit results of the NSLP and SBP in two States demonstrated the need for further improvement in the management of school food service operation through the use of more effective administrative and accounting controls. Meal accountability systems used by four school systems did not ensure that the meal counts were reliable

and that claims for reimbursement were accurate. Federal reimbursements totaling \$551,018 were questioned. Of this amount, \$207,821 were identified by Certified Public Accountants (CPA) audits and school food authorities' reviews through expanded scope reviews..

FNS concurred with the conditions cited in the reports relative to overclaims due to accountability problems and recovered \$551,018.

State Official Gets 10 Years for Embezzling Child Care Funds

A South Carolina State Legislator who was also the director of a church sponsored kindergarten that participated in the Child Care Food Program was convicted during a jury trial of mail fraud and forgery of USDA documents. The defendant had submitted 44 false claims to FNS for reimbursements totaling \$41,419.72, and after "washing" these reimbursements through the church's bank, converted substantial amounts to his personal use. He was sentenced to a total of 10 years in prison and fined \$3,600.

Auditors Aid Federal Investigators To Recover Over \$3 Million Due USDA

OIG auditors provided auditing assistance to the U.S. Attorney's Office in Boston, Massachusetts, regarding a food processor, which was substituting USDA donated beef for additives such as texturized vegetable protein, beef hearts and water. The irregularity was referred to federal investigators when new owners discovered this operating practice.

In their investigation, the federal investigators found that the company had improperly substituted large volumes of USDA donated beef which was to be used in the production of various meat items purchased by schools and served to students in the National School Lunch Program. This problem was found to have existed for the period of November 1982 through August 1985.

In civil proceedings, the former owners of the corporation had initially offered to settle for approximately \$1.3 million. OIG was requested by the U.S. Attorney to confirm the amount of the loss and the reasonableness of the settlement offer. The corporation offered to increase its settlement amount to approximately \$3 million after it became aware that an audit was to be made to confirm the reasonableness of the settlement. The OIG audit confirmed that the \$3 million settlement was satisfactory. On September 30, 1986, the final decree was filed whereby the

corporation was required to repay approximately \$3 million by November 30, 1986. One of the corporation's officers also received a jail sentence of 5 years.

Special Supplemental Food Program for Women, Infants, and Children

Grocers Indicted for \$2.3 Million Fraud in Women, Infants and Children (WIC) Program

A Federal Grand Jury in New York returned a multi-count indictment citing two grocery store owners and four accomplices for submitting in excess of \$2.3 million in false and fraudulent claims for reimbursement of WIC vouchers during the approximate period of August 1985 to March 1986. These individuals improperly obtained substantial quantities of WIC vouchers from persons and entities that were not authorized participants in the WIC program, and deposited the funds derived from the WIC vouchers in various bank accounts which they controlled. Trial is pending.

These New York indictments substantiated an OIG conclusion reached in 1984, that vendor abuses could not be adequately monitored under the State's system. Even earlier, in 1981, we concluded that "vendor monitoring and analysis procedures needed improvement." FNS assessed the problems of the State this year, 1986, and provided a detailed list of measures that the State is to initiate. Many of these actions were recommended in 1984 by OIG but were never taken. To ensure that the integrity of the WIC program is sustained, OIG is currently developing a major audit initiative that will focus on the State agency's capability to monitor and analyze participating vendor practices.

Food Stamp Program

Wage Matching Activities Insufficient to Reduce Losses

During FY 1986, we conducted a followup audit of the wage matching activities in 12 States to determine if improvements had been made by the States to comply with wage matching requirements and if State Agencies would be able to implement the additional wage matching requirements contained in the State Income Eligibility Verification System (IEVS) provisions of the 1984 Deficit Reduction Act.

While improvements have been made since our 1983 audit, review of 12 State Agencies with approximately \$4.7 billion in annual food stamp issuances disclosed that seven State Agencies were substan-

tially out of compliance with wage matching requirements. The States were not including all households or recipients in wage matching efforts, and/or were not following-up in a timely manner on wage match results. We also found that many States lacked the necessary administrative controls to ensure that local offices were taking appropriate followup actions. For example, one State Agency limited its wage matching activities to the head of Public Assistance households and the head of Non-Public Assistance households that reported zero-earned income. This State Agency's wage match excluded about 41,000 non-Public Assistance households and 300,000 members of non-Public Assistance and Public Assistance households, with approved annual food stamp benefits of about \$72 million, from the wage matching activities.

As a result of these problems, the wage matching efforts in the Food Stamp Program (FSP) were not effective in reducing losses from income errors. We estimated from FNS's quality control figures, that FSP annual losses from income reporting errors totaled approximately \$291 million in 1983 and \$328 million in 1984. We also believe that the State Agencies will have problems implementing the IEVS because of the problems noted during our audit. During the audit, FNS issued policy notices to its regional offices, and, if implemented, this policy should begin to correct the deficiencies we found.

Guilty Pleas in \$1.9 Million Food Stamp Trafficking Case

In New Orleans, Louisiana, eight men were indicted for conspiracy, trafficking in food stamps, and violating U.S. currency laws. In 1984 and 1985, these individuals purchased \$4,025 in food stamps for \$2,440 cash during the course of our investigation. The food stamps were part of approximately \$2 million redeemed by these individuals through two very small retail stores which did not have the capacity to legally transact this amount in "food sales." Seven of the eight charged have pled guilty and have received prison terms ranging from 18 months to 8 years. They were also fined a total of \$1,030,750. The eighth individual has recently been returned to an Alabama State prison, from which he had previously escaped, to finish a life sentence for murder.

OIG Crackdown on Los Angeles Food Stamp Trafficking

Eight men were indicted in Los Angeles, California, for trafficking in food stamps, conspiracy, and trafficking in a controlled substance (cocaine). This

investigation, which lasted for more than a year, is part of an ongoing effort by OIG to curtail Food Stamp Program abuses in the Los Angeles area. This investigation terminated when two of the subjects were arrested when they attempted to exchange approximately three kilograms of cocaine and \$18,800 cash with an OIG undercover agent for \$507,000 in reportedly stolen food stamps. To date, five individuals have pled guilty and have received prison terms ranging from 4 to 8 years. The remaining three people are fugitives.

Improvements Needed In The Quality Control (QC) Error Rate Reduction System

OIG audited Food Stamp QC activities during FYs 1983 and 1984 in 5 FNS Regional Offices and 12 State agencies. We audited 1983 QC information because it was the most recent information available at the time. The primary audit objective was to evaluate FNS's oversight of the QC Program to ensure that States were adhering to prescribed methodologies and procedures when calculating Payment Error Rates (PERs). Although we found some systems applications problems, we did not find any major problems with the system itself. We concluded that better oversight by the FNS National office of regional QC activities is necessary. Calculation errors were found at all Regional offices reviewed, and some National office policies regarding statistical weighting based on caseload were not uniformly applied.

Improved National office oversight is important because the sanction formula can be sensitive to small movements in the PER. Audit found inconsistencies among the regions in calculating the PER's. Although the errors we found affected only one sanction, the case demonstrates the need for accuracy. In that case, the State's PER had been understated by only .68 percent, but this resulted in the State's position moving from one of meeting its error rate goal to one of being liable for a sanction totaling \$965,340. We called this case to FNS's attention, and FNS corrected the error and sanctioned the State.

A secondary objective of our audit was to determine if States were properly selecting and completing QC samples. Our audit disclosed one significant problem in this regard. We concluded that implementation of improved QC regulations in FY 1984 did not produce the desired effect of reducing State Agency dropped cases for refusal to cooperate. State QC reviewers were not taking the additional efforts allowed by the regulations to complete these cases, and an apparent conflict between the FY 1984 regulations

and the QC Handbook created some confusion. We determined that out of 600 dropped cases we statistically selected for review in all States audited, State QC reviewers dropped 157 without taking adequate steps to complete them. Eight of 12 State Agencies improperly dropped 22 cases from their samples for not participating in the Food Stamp Program during the sample month, even though the households actually redeemed Authorization to Purchase cards, or had received direct issuance of food stamps. Because there were no State Agency QC actions on these cases to detect possible errors, the Statewide error rates may have been understated. Similarly FNS Regional offices should have emphasized their review of these cases to ensure they were properly dropped.

Further, we noted that four of the five FNS Regional offices improperly dropped, or did not document their reasons for dropping, 25 cases which had been completed by seven State Agencies. Even though FNS does not agree with our findings in each of the referenced cases, it has agreed to institute tighter controls and to include this issue in its QC study.

Court Decision on Missing Casefiles

On October 5, 1982, OIG issued a report citing one State with issuing \$16.4 million to over 14,000

households for which no casefiles were available to support the recipients' eligibility. Subsequent to an FNS billing and a State Food Stamp Appeal Board's upholding of the claim, the State filed suit in Federal court for relief, claiming that unforeseeable circumstances were responsible for the missing cases and that the State was not negligent.

In settling the suit, the State and USDA agreed to the provision of a Consent Decree that was signed in Federal court on February 27, 1986. The Consent Decree provided among other things that:

- The State must pay FNS \$282,510 in compensation for past losses associated with the missing casefiles. FNS received payment in full on May 9, 1986.
- The State agreed to be strictly liable for statistically projected losses each time USDA audits or reviews discover missing casefiles.
- USDA must follow precisely the review procedures and the statistical methodology agreed to in the Consent Decree.

The provisions of the agreement will apply to audits and reviews performed on a countywide or Statewide basis and will govern for 3 years from the date the Consent Decree was signed by the court.

Natural Resources and Environment

Forest Service

The Forest Service (FS) manages over 191 million acres of National Forest System lands, conducts a State and private forestry program in cooperation with the States, and provides national leadership in forest and range research. For FY 1986, the FS budget authority exceeded \$2.1 billion and estimated receipts were approximately \$1.2 billion.

The largest single FS activity is timber sales and related road construction. In recent years we have concentrated much of our audit effort there. However, we are continuing to provide coverage of fiscal and accounting management activities and other important areas such as user fees and aircraft use and accountability.

Potential Remains High for Default of Timber Sale Contracts

Although the Federal Timber Contract Payment Modification Act of 1984 allows timber purchasers to buy out of about \$2.5 billion in unprofitable timber sale contracts, some purchasers still hold contracts for substantial volumes of high-priced timber which may eventually cause financial losses for both purchasers and the Government. Because of this concern, OIG in conjunction with OIG, Department of the Interior, reviewed the financial condition of one of the largest privately held purchasers which had undergone a recent corporate reorganization. We found that one corporate subsidiary, which held over

\$301 million in FS and Bureau of Land Management timber contracts had been left with all of the high priced contracts and insufficient net worth to satisfy Government claims for damages in the event of default. We identified 137 high priced contracts which had a high potential for default. It was estimated that the Government damage claims could range between \$100 million and \$173 million. Based upon this and other financial information provided by the purchaser, the FS and Bureau of Land Management reached agreement with the company for additional financial guarantees which they believe will adequately protect the Government's interest. We are concerned that other purchasers have more limited resources and are in financial jeopardy. Therefore, we are evaluating the FS's policies regarding determinations of purchasers' financial responsibility, and will examine the potential for losses to the Government due to default.

Two Arrested in Timber Theft Case

Two Mississippi timbermen, who had purchased timber from the FS, were arrested by OIG on April 10, 1986, on warrants charging them with paying bribes totaling \$7,600 to a FS official to ignore excess cutting. The official cooperated in our investigation. The bribes were paid for the official's assurance he would not report he had discovered that the subjects cut timber worth about \$476,000 in excess of what they had purchased from the FS. Trial is pending in this case.

Marketing and Inspection Services

Food Safety and Inspection Service

The Food Safety and Inspection Service (FSIS) helps ensure that the Nation's commercial supply of meat and poultry is wholesome and correctly labeled through daily, continuous plant inspections and a wide variety of monitoring and compliance functions.

Nationwide Audit of FSIS's Meat and Poultry Inspection Program

We evaluated FSIS's management of the domestic Meat and Poultry Inspection Program by on-site reviews at 132 statistically selected meat and poultry plants and followed up on regulatory and policy matters at area, regional and headquarters offices of FSIS. We found that, generally, FSIS had been effective in fulfilling its mission; however, there remained opportunities for improvements in the following areas:

- **Legislative Changes Could Improve Inspection Effectiveness**

The existing law requires continuous plant inspections while the plants are operating. This reduces FSIS's ability to concentrate its limited inspection resources in the areas where the risk of product adulteration is greatest. OIG's observations at a random selection of plants found that a significant number had not complied with policies and procedures regarding maintenance of structural fixtures, equipment sanitation, condensation control, chemical control, and condemned and inedible product control. Analysis showed that deficiencies tended to be in plants with relatively complex operations, whereas smaller plants with simple operations (generally limited to cutting, grinding and boning of previously federally inspected products) experienced few deficiencies. We recommended that FSIS continue to pursue legislative changes to eliminate the continuous inspection provisions, and to permit the assignment of staff based on risk analysis. Also, we recommended that FSIS seek legislative changes granting them the authority to impose effective sanctions against noncompliant producers in instances where educational efforts have failed to correct the violation but the violations were not severe enough to justify criminal prosecution.

- **Domestic Residue Monitoring Program Needs Improved Techniques**

In detecting and quantifying the incidence of hazardous residues in meat and poultry products, controls and techniques need to be improved to help ensure that (1) data is evaluated in a timely manner and information about individual residue monitoring samples is distributed to the FSIS National office and the Food and Drug Administration (FDA) in a timely manner; (2) samples requested are collected and analyzed, or accounted for; (3) the universe used for sample selection is current and complete; and (4) the sampling plan considers seasonal variations in slaughter.

Also, FSIS needs better coordination with FDA and USDA's Packers and Stockyards Administration to ensure the collection of adequate evidence to prosecute those who repeatedly and intentionally market animals containing illegal levels of drug residues.

- **Recalls of Harmful Products Need Improvement**

Our review of 1985 voluntary recalls showed that press releases were not made in four of the eight recalls classified as Class I (use of the product could result in the reasonable probability of serious illness). Also, discrepancies in distribution information from recalling companies and failure to notify retail outlets when products were removed from stores contributed to the likelihood that recalled products remained in retail channels.

- **Procedures for Review and Approval of Product Labels Need Improvement**

The review system for approving labels for consumer products had allowed inconsistencies, such as inappropriate product or ingredient names, and missing mandatory labeling features, such as manufacturer's name and address. In addition, inadequate processing instructions were also noted; in at least one case a product was marketed without cooking instructions necessary to destroy salmonella bacteria.

Arrest in Food Tampering Case

In Clinton, Oklahoma, an employee of a meat packing firm was arrested by OIG for putting a shard

of glass into a frankfurter on the processing line. During the investigation, the employee also admitted to having put ball bearings, glass, pieces of concrete, and metal fragments into meat products on four occasions. The subject was released and ordered to report to a U.S. Probation Officer pending trial. He failed to report and is now considered a fugitive. This investigation is unique in that it is the first to result in an indictment under the Federal Anti-Tampering Act for tampering with meat or a food product.

Food Substitution Scheme Hurts Schools, Military

A supervisor and two employees of a Salina, Utah, turkey processing plant were charged with violating the Federal Poultry Products Inspection Act and embezzling donated USDA commodities. This scheme involved the removal of turkey meat purchased by the U.S. Government from shipments destined for the U.S. military, USDA School Lunch Programs, and other commodity programs. The Government-owned turkey meat was replaced with water, inferior turkey meat, and other fillers, then repacked by the company and sold to commercial customers in the eastern United States. The investigation also revealed that employees treated tainted turkey meat with a chlorine solution to make it appear fresh, however no evidence was found that any of the chlorine-treated turkey meat reached consumers. The plant supervisor pled guilty and was sentenced to serve 6 months in jail, fined \$5,000, and ordered to pay a victim assessment fee of \$100. He will also be placed on probation for 3 years after his release from prison. The two plant employees also pled guilty and were placed on probation for 2 years. Additionally, the turkey marketing association, which owned the processing plant, pled guilty to defrauding the School Lunch Program, was fined \$250,000, and was ordered to make restitution in the amount of \$621,000.

Investigations Continue to Pursue Wilfull Violations of Inspection Laws

In Newark, New Jersey, the president and vice-president of a meat processing plant and five FSIS Food Inspectors and one supervisory food inspector were charged in a bribery scheme which allowed the plant to circumvent federal meat inspection regulations. The food inspectors are alleged to have accepted between \$100 and \$300 weekly from plant

officials during the period from 1980 through 1983. In return for the bribes, the inspectors would take meat samples specially prepared by plant officials in lieu of samples drawn in accordance with FSIS regulations. This action allowed larger than permissible amounts of fat, water, and additives to be used in the product. Trial is pending.

Two owners and six employees of two Michigan meat plants were indicted on 53 counts of conspiracy and violating the Federal Meat Inspection Act for introducing uninspected meat products into channels for human consumption. This case involved the selling of nonfederally inspected meat from a custom-exempt slaughterhouse to a federally inspected meat plant. The noninspected meat, which totaled approximately 4,912 pounds, was then combined with the inspected meat product. As a result of this combination, as much as 19,648 pounds of meat was adulterated or misbranded and sold to the public for consumption. Trial is pending.

Animal and Plant Health Inspection Service

The Animal and Plant Health Inspection Service (APHIS) protects animal and plant resources from diseases and pests by several means, including inspection and quarantine at ports-of-entry.

Private Quarantine Facility Operated in Violation of USDA Standards

For over 5 years APHIS allowed a privately owned animal quarantine facility to operate without requiring the operations and physical plant to be inspected or supervised. While APHIS personnel were at this facility to inspect the animals (primarily horses) coming into the United States, apparent violations concerning the plant and its operations were noted. Specifically (1) facility personnel did not take showers as required after entry into a quarantine area or between import and export shipments; (2) nonauthorized personnel were in the quarantine areas; (3) horse stalls were not cleaned and disinfected after each quarantine; and (4) dogs, cats, and goats were running loose within the quarantine facility. Even though the animals being imported were inspected, these plant operation deficiencies could have resulted in the dissemination of foreign animal diseases in the United States. The majority of all horses imported through the west coast in recent years have been quarantined at the facility.

Administrative Systems

Automated Data Processing

The Animal and Plant Health Inspection Service (APHIS) Needs to Reevaluate the Need of the Brucellosis Information System (BIS)

The APHIS implemented a nationwide automated BIS in 1982 to assist in tracking and eradicating Brucellosis. The system, funded at nearly \$6 million in FY 1986, has cost approximately \$27 million to date. Brucellosis is an infectious disease that is most prevalent in cattle and swine, but can also infect people and other animals.

We conducted an audit of BIS and found that:

- APHIS had incurred costs of approximately \$1 million to develop features for the BIS which were too complex and costly to run.
- Implementation of BIS did not result in decreased costs or in a reduction in personnel for the Brucellosis program, as forecast in the cost/benefit analysis prepared to support the development of the system.
- Large amounts of information which had little or no determinable use (generated from tracking disease-free cattle) were being input to the BIS data base and retained online, resulting in unnecessary costs for both entry and storage.
- The need for implementation of the BIS in States which have a low infection rate had not been demonstrated by APHIS.

We recommended that APHIS reevaluate the costs and benefits of the BIS and continue its use, planned enhancements, and data storage requirements only if it is determined to be cost effective. We also recommended that APHIS conduct a thorough analysis prior to implementation of all future subsystems or any major design changes.

APHIS officials generally agreed with our findings and are developing alternatives to BIS. However, they disagreed with our recommendation to no longer capture information on healthy animals. We believe that APHIS must reexamine the benefits of the information against the costs incurred for input and storage.

ASCS's State and County Office Automation Project (SCOAP) Needs Better Project Management and Security Controls

We continued to monitor the ASCS's SCOAP during this reporting period. SCOAP will provide all 2800 State and county ASCS offices with onsite data processing support for their daily operations and electronic communications from the county to the State and National offices. ASCS's Kansas City Management Office (KCMO) provides centralized development and maintenance of most SCOAP application software systems.

Our review found that KCMO needed to develop a formal, structured approach to planning, controlling, and coordinating the SCOAP software development process. Without a definitive approach, management cannot effectively establish realistic milestones, monitor resource usage, adjust priorities, and measure performance. The KCMO had used weekly status meetings and informal communications to monitor SCOAP software development. However, this approach did not enable management to effectively monitor resource usage, define SCOAP into system components, establish system priorities and identify system interrelationships. KCMO did intermittently prepare some formal reports that were used for project and resource management purposes, and the division level did maintain information regarding the status of the project, but none of KCMO's reports were readily reconcilable with division's information to obtain an overall status of all project components at a particular point in time. In addition, KCMO needed to develop additional SCOAP software standards and to enforce its existing standards. For example, KCMO could not effectively monitor the status of program development because internal system libraries were not established according to the standards created by KCMO for SCOAP software development. As a result, future maintenance and modifications could be unduly hampered.

Software access security was not adequate to prevent the deliberate or accidental modification of application systems and data files on the State and county systems. Some controls are in place to detect unauthorized accesses but additional controls need to be developed.

We recommended that KCMO better document its SCOAP plans to include a basis for measuring

performance, and to comply with all Federal documentation standards. We also recommended that KCMO develop security access controls to minimize risks due to unauthorized accesses. KCMO is proceeding to implement the recommended actions, including the procurement of an automated software management package.

FmHA's Development of its New Accounting System is on Hold

Our monitoring of the Automated Program Delivery System (APDS), FmHA's new accounting system, disclosed a potentially major weakness in project management controls over attempts to concurrently correct design deficiencies while programming the new system. As a result of this weakness, user and regulatory requirements may not be adequately addressed. Because subsequent modifications to any major system, such as APDS, historically have been found to be very costly, we recommended that FmHA halt programming efforts until all design deficiencies had been corrected. As a result of this and other factors, (e.g., additional requests for documentation were not met in a timely manner by the contractor responsible for developmental efforts), FmHA stopped APDS programming efforts and released the contractor in July 1986. FmHA is currently analyzing other alternatives that will enable them to accomplish the objectives of APDS.

Financial Controls

KCMO Control Over Reconciliation of Cash Receipts Needs to be Improved

The objectives of our review were to determine if controls were adequate to ensure that (1) funds received at ASCS county offices were deposited in CCC's Federal Reserve Bank (FRB) account; (2) commodity loan repayments and receipts were accurately recorded in CCC accounts; and (3) exception listings produced by automated systems were used in a timely manner to correct the reason the transactions were causing the exceptions.

Our review disclosed that although ASCS had established controls over cash receipts at the KCMO, inaccurate input by county offices negated their effectiveness. We found that approximately 19,000 cash receipt transactions involving over \$4 million had been suspended for up to 36 months due to county office errors and the absence of KCMO procedures to contact county offices and facilitate

corrections of suspended transactions. Our review of 179 suspended transactions disclosed that (1) one county office had collected over \$17,000 but had never deposited it in the FRB; (2) duplicate refunds totaling about \$11,300 to two producers had not been resolved in over 22 months; and (3) 116 transactions resulted in about \$700,000 of unreconciled differences which over/understated other program accounts.

We recommended that KCMO establish procedures for contacting county offices to resolve questionable transactions and for following up with county offices if immediate responses on the requests for information were not received. We also recommended that the types of coding errors county offices made on the Schedules of Deposit be identified on computer listings and the listings be provided to the affected county offices for their use in reducing coding errors. ASCS is in the process of implementing needed corrective action.

USDA Reporting to the Internal Revenue Service Needs Improvement

Additional controls over financial reporting are needed in USDA to provide reasonable assurance that compliance with Internal Revenue Service (IRS) reporting requirements are met. As part of a President's Council on Integrity and Efficiency (PCIE) project, we performed a review to determine if agencies in the Department were complying with IRS Form 1099, Information Return Filing Requirements. (This form is generally used to report payments over \$600 not otherwise reported.) We found that two agencies had not developed reporting systems for their programs that generate Form 1099 payments, while three other agencies that did have reporting systems in place had not prescribed sufficient controls to promote compliance with the reporting requirements. Overall, agencies did not report Form 1099 information from a total of about \$7 billion in payments issued in 1984 and 1985. (Some of these payments may have been for less than \$600.) Complete reporting by USDA can assist the IRS in identifying unreported income, and thus generate additional tax revenues for the Government. We recommended to the Assistant Secretary for Administration that the Office of Finance and Management (OFM) be directed to develop a Departmental Regulation setting forth procedures for agencies to follow relative to IRS information return reporting. In addition, we recommended that OFM monitor reporting compliance by the Department in the future. The Assistant Secretary for Administration agreed to implement our recommendations and take other appropriate measures to assure that agencies report all payments required by IRS.

Procurement

Controls Need Strengthening Over Yearend Procurement Actions

Our review of yearend procurement activity at five FS Regions and at the FS Headquarters office disclosed that established internal controls were not sufficient to ensure the financial integrity and economy of procurement operations. We found that during FY's 1983 and 1984 nearly 1,100 procurements, with a value of \$5.7 million, had not been identified or properly detailed in annual procurement or project work plans. In addition, for the same period, we found that \$12.4 of the \$24.4 million we reviewed in 4th quarter purchases appeared to violate yearend spending policies and procedures, the Comptroller General's "bona fide need" rule, and provisions of the Antideficiency Act. We questioned these yearend obligations of expiring appropriations because the items or services procured did not appear to have any use in the year of fund obligation. Also, some questionable procurements were caused by apparent stockpiling of supplies, superfluous expenditures, and miscoding of yearend expenditures to expiring appropriations with remaining fund balances. The insufficient control and planning of procurement operations also contributed to significant yearend peaking of FS procurement actions, contrary to Office of Management and Budget (OMB) and Departmental guidance on yearend purchasing.

We recommended that the FS review and identify, with assistance from the Office of the General Counsel, all procurement actions which constitute a violation of the Antideficiency Act. We further recommend that these violations be reported to the Congress, as required by law. We also recommended that the FS enforce adherence to existing procurement laws, regulations and internal control procedures for procurement operations.

The FS agreed with our recommendations for corrective action and will initiate an indepth review of the cited procurement actions to determine if any reportable violations had occurred.

Department Phone Use Shows Some Inefficiencies

We undertook a review of USDA's telecommunications system utilization as part of a PCIE audit. The General Services Administration/Office of Inspector General (GSA/OIG) acted as lead agency for this review. We found that potentially unneeded lines were kept in service because annual surveys of equipment utilization were not performed by all

agencies as required. The surveys were not performed because the Office of Information Resources Management (OIRM) did not distribute all Inactive Main Line Listings to agencies, and did not adequately monitor usage to foster compliance with the requirements. We tested a sample of 270 of the approximately 3,000 phone lines reported as inactive in USDA and found that 145 lines probably were no longer needed. The majority of the remaining 125 lines were found to be computer access lines. Disconnections of these inactive lines would result in savings of about \$2,000 per month. We recommended that OIRM ensure the agencies perform the required surveys of equipment by providing them with lists and instructions for performing the surveys, and by conducting followup reviews of Telecommunications Managers who did not respond to the requirement.

We also analyzed a GSA/OIG-selected sample of 200 Federal Telecommunications System off-net (Government to private lines) and 50 commercial long distance telephone calls to determine the extent of unauthorized use of the telephone. Our findings disclosed that about 20 percent of the 250 long distance calls over a 3-month period were not related to official business; USDA incurred billings of approximately \$180,000 as a result. Agencies were not using available data to perform required certifications of long distance calls. Our recommendation to OIRM was to strengthen management controls to reduce abuse of the system and costs of telecommunications to the Department. OIRM is revising Departmental Regulations to increase assurance that all commercial long distance billings are verified and certified as authorized calls. Recommendations concerning improving controls over the use of the Federal Telecommunications System long distance services will be made by GSA/OIG to that Department in the consolidated report on this project.

Program Oversight Through the Use of CPAs Needs Strengthening

The Inspector General Act of 1978 requires the Inspectors General to comply with GAO Audit Standards, to ensure work performed by non-Federal auditors of Federal programs and activities comply with these standards, and to supervise, or coordinate other activities carried out by agencies for the purpose of preventing and detecting fraud and abuse in Departmental programs.

OIG initiated an audit in USDA to determine how agencies use the audited financial information and to identify the financial reporting and audit requirements required by program agencies of recipients of

Federal assistance. The preliminary results of our review disclosed the following:

- Agencies did not require that approximately 20,000 audits of Federal assistance to individuals which were performed by non-Federal auditors, be conducted in accordance with the GAO audit standards (Standards for Audits of Governmental Organizations, Programs, Activities and Functions). These standards incorporate standards promulgated by the American Institute of Certified Public Accountants (AICPA) for financial audits, commonly referred to as generally accepted auditing standards (GAAS). However, the GAO standards also include additional requirements relating to working papers, testing and reporting on compliance with applicable laws and regulations and internal controls, and reporting on fraud, abuse or illegal acts in order to fully address the needs of the many users of reports on Government audits.

- Agency procedures do not provide access by OIG and GAO personnel to audit workpapers, audit reports and management letters prepared by non-Federal auditors.
- Agencies have imposed additional audit requirements for some entities, a practice contrary to the provisions of OMB Circular A-128.
- Contracts for audit services, audit guides and/or audit requirements have been issued by program agencies for use by non-Federal auditors without OIG review and approval.

We informed all agency heads concerning the issues noted and recommended that corrective action be initiated. Our review in this area is continuing.

Resolution, Audits of Contracts, and Statistical Data

Audit Reports Resolved

OIG closed and/or resolved 637 reports during the period covered by this report. The monetary values associated with the findings of these audits were as follows:

Questioned Costs Recommended for Collection	\$ 13,318,005	
Questioned Loans Recommended for Collection	29,648,610	
Total Cost and Loans Questioned at Issuance	<u>\$ 42,966,615</u>	
Less: Post Audit Justification Accepted by OIG	\$ 16,789,171	1
Management Commitments to Seek Recoveries	<u>\$ 26,177,444</u>	2,3
Other Monetary Impacts Agreed To:		
Management Commitments to More Efficiently Use Funds	\$ 41,359,693	2
Program Improvements and Improper Fund Allocations	<u>\$1,151,146,335</u>	4
Total Other	<u>\$1,192,506,028</u>	
Total Dollar Impact	<u>\$1,218,683,472</u>	

¹In the category "post audit justifications accepted by OIG" are reported only those amounts in which the auditee, subsequent to the issuance of the audit report, has provided additional documentation, justification and/or support material to reconcile the monetary exception taken by OIG. Normally, this information is not available during the time of the audit, and once received, is analyzed and evaluated by OIG and appropriate adjustments to the reported amounts are made. The dollar amount displayed is the net of the post audit justification accepted by OIG and the increase in collections above questioned costs and questioned loans recommended for collection.

²These were the amounts agreed to by the auditee at the time of resolution.

³The recoveries actually realized could change as the auditees implement the agreed-to corrective action plans and seek recovery of amounts recorded as debts due to the Department.

⁴Program improvements and improper fund allocations are monetary amounts known to have been expended erroneously or improperly, including statistical projections mainly for the purpose of alerting management to significant problem areas. This amount also includes findings involving unallowable costs incurred in good faith because of reliance on misleading, erroneous guidance, interpretations, or directions given or contained in regulations.

Audits Performed by Others Under Contract or Agreement

141 audit reports were issued which were prepared by Certified Public Accountants under contract with OIG and/or the Defense Contract Audit Agency.

These reports questioned costs of approximately \$1,035,667 in addition to expected savings of \$2,005,498. Also, 390 reports were resolved or closed resulting in disallowance of \$1,396,269 and savings of \$1,793,714.

Audit Resolution and Followup

Unresolved Audits Pending Departmental Action

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

Agency	Date Issued	Title of Report	Dollar Value Unresolved
ASCS	3-26-86	1. Audit of a Livestock Trader's Participation in the Wool and Mohair Payment Program - Edwards County, Rocksprings, Texas (3099-79-Te)	\$ 614,171
FS	5-25-84	2. Payments to States from National Forest Receipts (08099-5-Hy) ^{1,2}	\$ -0-
FCIC	3-3-86	3. Monitoring the Implementation of ACF2 (58099-2-FM)	\$ -0-

¹Reported in last Semiannual Report. ²Pending Office of General Counsel opinion.

1. *Audit of a Livestock Trader's Participation in the Wool and Mohair Payment Program—Edwards County, Rocksprings, Texas, issued March 26, 1986*

(Agricultural Stabilization and Conservation Service (ASCS))

The audit questioned incentive payments totaling \$614,171 because the livestock trader did not maintain records to show compliance with the 30-day ownership requirements of the Wool and Mohair Programs. The Texas State Agricultural Stabilization and Conservation Committee did not agree with the audit and allowed the total claim. The State Committee's disagreement was based on the trader's testimony and his application for incentive payment for the 1985 program. We disagreed with the Texas State Committee action and have submitted the facts to the Deputy Administrator for State and County Operations for a determination.

2. *Payments to States from National Forest Receipts, issued May 25, 1984*

(Forest Service (FS))

The law requires that 25 percent of all monies received from each National Forest be paid to

the appropriate States each fiscal year. We found that annual payments to States include advance deposits by timber purchasers pending removal of timber. We concluded that since these advanced deposits were not yet earned, they should not be included in the payments to States. The FS and the Assistant Secretary disagreed. We have recently requested an opinion from the Office of General Counsel (OGC) on this issue.

3. *Monitoring the Implementation of ACF2, issued March 3, 1986*

(Federal Crop Insurance Corporation (FCIC))

One recommendation remains unresolved. We reported that FCIC had not adequately secured production and developmental datasets from unauthorized access by implementing Access Control Facility 2 (ACF2), a security software package available at the Kansas City Computer Center. FCIC officials agreed to limit access to production datasets but did not believe it necessary to limit access to ongoing systems development work. We believe controls are needed to protect developmental resources and prevent unauthorized browsing or modifications.

Unresolved Audit Pending Action Outside the Department

Agency	Date Issued	Title of Report	Dollar Value Unresolved
FmHA	3-19-86	4. Audit of Guaranteed Loan to Louisiana Marine Protein, Inc. (04099-104-Te)	\$5.3 million

4. Audit of Guaranteed Loan to Louisiana Marine Protein, Inc., issued March 19, 1986

(Farmers Home Administration (FmHA))

This audit recommended that FmHA refer our findings to OGC to determine the enforceability of the loan guarantee and to seek recovery of FmHA expenditures caused by lender violations. FmHA sent a memorandum to OGC requesting legal action against the lender to recover \$2.5 million in loan losses plus \$2.8 million in accrued interest. FmHA and OIG are in agreement on the corrective actions needed. OGC has also agreed that litigation is justified and the case has been referred to the Department of Justice. OIG will be able to resolve this audit when a claim determination letter is sent to the lender. This action is dependent upon completion of OGC's review and determination and action by the Department of Justice.

As part of the Department's audit resolution process, each of the above audits were reported as unresolved to the appropriate agency head and in turn to the appropriate Assistant or Under Secretary and finally to the Secretary. In those cases where additional information was needed from an agency, we requested the Secretary's assistance to expedite the response.

Audits of Contracts

OIG performed or arranged for audits of 34 pricing proposals, cost reimbursement contracts, or contractor claims. These audits resulted in questioned costs or potential savings of more than \$4.8 million.

Also, during this period, 27 contract audits were resolved or closed, resulting in savings of approximately \$2.9 million.

OIG contract auditing is performed to assist USDA procurement offices in the negotiation, administration

and settlement of USDA contracts and subcontracts. Our audit of a \$26.3 million Soil Conservation Service (SCS) Emergency Watershed Project to correct severe flood damages in 19 counties in one State disclosed that SCS did not have a contingency plan to mobilize available trained and experienced personnel and to provide direction to field offices for handling disaster projects of this magnitude. As a result, SCS awarded 23 contracts, totaling \$4.5 million, which were based on bids that were mathematically or materially deficient and that did not ensure that the prices offered were fair and reasonable. In addition, SCS accepted bid estimates which did not accurately reflect the estimated cost of work to be performed, did not always properly service the contracts or prepare contract modifications for changes and had not fully documented the work performed. Agency officials agreed with our findings and our recommendation to establish a National Emergency Contingency Plan for dealing with major disasters.

OIG also audited a construction contractor's claims and cost data for additional expenses totaling \$2.7 million to correct previously unknown site conditions at an SCS watershed project. We questioned \$1.9 million of the additional amount claimed by the contractor because the claims were not based on actual equipment costs or indirect cost rates. Agency officials agreed with the audit results and offered the contractor \$615,000 to adequately compensate him for the additional work performed. However, the contractor refused to accept SCS's offer and the case is currently in litigation.

We reviewed a \$7 million ASCS contract to develop an automated grain and processed commodity inventory system. The audit disclosed deficiencies in agency project management and system controls. In addition, ASCS did not require the contractor to report specific information needed to effectively monitor and control the extent of project escalation. Consequently, at the time of our audit the costs associated with developing the project had increased by more than \$4.5 million over the original project

estimate. ASCS concurred with our reported conditions and agreed to strengthen procurement management controls to preclude recurrence of this problem in future contracting.

OIG audited a termination claim for \$330,600 in damages filed by a contractor in connection with a FS road-building contract. We questioned \$280,600 of the claim on the basis of inadequate supporting documentation in the contractor's financial records. As a result of the audit, the contractor filed a compromise claim for \$220,000. Based upon our original audit, we continue to question \$141,500 of the compromise claim. The FS agreed with our findings and recommendations. The matter is currently in litigation.

Debts Arising From OIG Activities

Agencies of the Department of Agriculture established 283 new claims during the period covered by this report that arose from OIG activities. This amounted to more than \$3.8 million, with over \$1.5 million collected against these and other prior claims; and \$3.3 million waived, compromised or reduced because of post resolution justification.

Audits Performed Under the Single Audit Act and Other Organization-Wide Audits

A number of State departments and local units of government, not assigned a cognizant agency,

requested that OIG process their single audit reports. As a result, during this reporting period, we have issued 41 Single Audit reports as cognizant agency. (Twenty-five, were performed pursuant to the requirements of OMB Circular A-102; 15, were performed pursuant to OMB Circular A-128, and one was performed pursuant to OMB Circular A-110.) Also, we have received and distributed 201 reports furnished to us by other Federal cognizant agencies. Currently OIG has responsibility, through USDA cognizant agency assignment under OMB Circular A-128, for 33 State agencies and larger local governments. Also, USDA was designated the lead cognizant agency for single audits of Georgia, Minnesota, and Pennsylvania.

Indictments and Convictions

Between April 1, 1986 and September 30, 1986 we completed 828 investigations, 618 of which involved possible criminal/civil violations. We referred 390 cases to the Department of Justice.

During the 6-month period, our investigations led to 276 indictments and 223 convictions. Fines, recoveries/collections, and restitutions resulting from our investigations during the same period totaled about \$8,148,809. Claims were established for approximately \$3,729,662 and costs totaling \$7,318,211 were avoided.

The following is a breakdown by agency of indictments and convictions for the reporting period.

Agency	April-September 1986		Total for FY 1986	
	Indictments	Convictions	Indictments	Conviction
Agricultural Marketing Service (AMS)	0	1	1	2
Animal and Plant Health Inspection Service (APHIS)	12	2	13	3
Agricultural Research Service	2	0	2	0
Agricultural Stabilization and Conservation Service (ASCS)	21	21	53	43
Foreign Agricultural Service (FAS)	7	6	19	6
Farmers Home Administration (FmHA)	60	62	123	108
Federal Crop Insurance Corporation (FCIC)	1	1	2	2
Food And Nutrition Service (FNS)	144	113	253	208
Food Safety and Inspection Service (FSIS)	27	11	32	17
Forest Service (FS)	2	0	3	1
Office of Finance and Management (OFM)	0	0	1	0
Soil Conservation Service (SCS)	0	0	1	1
Multiple Agencies	0	6	4	11
TOTAL:	276	223	507	402

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

Whistleblower Complaints

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

During this reporting period, the OIG Hotline received and analyzed 902 complaints from Departmental employees, the general public, Congress and other agencies. Of these, 774 contained sufficient information to be processed. Eighty-one of the processed complaints were referred to OIG audit or investigations; the other 693 were referred to the agencies for administrative action.

The toll free telephone number, operating on a 24-hour basis, continues to be the major source for receipt of complaints. The majority of complaints are allegations of program violations. Following is a breakdown of the various types of allegations received:

Program Violations	368
Fraud, Waste, Mismanagement	394
Misconduct	71
Personnel Irregularities	15
Health Safety	11
Opinion or Information	43

The Food Stamp program has been our biggest source of complaints. During the past 6 months, the Hotline received over 567 complaints related to Food Stamp program violations, or 63 percent of all complaints received. As a result of these complaints, four stores were permanently disqualified from participating in the Food Stamp program, and nine other stores were disqualified for periods ranging from 6 months to 5 years. Seven stores were assessed civil penalties amounting to \$82,191.

Recipient overissuance claims of \$22,259 have also been established.

Numerous complaints involving personnel improprieties have resulted in one USDA employees being removed from his position, seven resignations and one retirement when confronted with violations. Additionally three suspensions, 10 written or oral admonishments and \$9,312 in repayments have resulted from Hotline complaints.

Freedom of Information and Privacy Act Activities

OIG processed 188 requests under the Freedom of Information Act (FOIA), compared to 242 for the previous 6 months. The following schedule outlines FOIA data over the past two reporting periods.

	Last Period	This Period
Number of Requests	242	188
Number of Favorable Responses	125	110
Number of Unfavorable Responses	117	78

Unfavorable Responses Due to:

No Records Available	47	23
Requests Denied in Full	8	5
Requests Denied in Part	62	50
	117	78

Other Data Not Directly Affected by the Number of Requests:

Appeals Granted	0	1
Appeals Denied in Full	6	2
Appeals Denied in Part	3	0
Number of OIG Reports Released in Response to Requests	267	359

Note: A request can require more than one report in response.

Debts Owed to the Department of Agriculture

(In Thousands of Dollars)

In accordance with a request in the Senate Committee on Appropriations' report on the supplemental Appropriation and Recission Bill of 1980, the following chart shows unaudited figures provided by the Agencies of the Department of the amounts of money owed and overdue, during this 6-month reporting period.

Agency	As of June 30, 1986		Written Off 10/01/85— 6/30/86	September 30, 1986	
	Owed	Overdue		Owed	Overdue
Farmers Home Administration	72,767,495	8,291,000	(206,622)	73,020,536	7,464,320
Rural Electrification Administration	37,494,311	1,343,469	0	37,911,516	1,388,777
Agricultural Stabilization and Conservation Service/Commodity Credit Corporation	35,006,864	631,515	(90,267)	33,707,512	563,359
Forest Service	206,689	174,826	(8,525)	147,752	106,467
Federal Crop Insurance Corporation	40,075	31,012	0	79,622	29,266
Food and Nutrition Service	351,809	347,958	0	396,164	395,277
Soil Conservation Service	10,520	2,380	(15)	8,376	2,678
Federal Grain Inspection Service	3,169	484	(50)	2,961	452
Office of International Cooperation and Development	42	26	0	55	46
Agricultural Marketing Service	10,815	1,588	0	15,251	1,810
Food Safety and Inspection Service	5,307	1,578	(142)	6,422	1,354
Agricultural Research Service	613	585	0	707	615
Cooperative State Research Service	434	434	0	5	5
Extension Service	140	140	0	192	134
National Agricultural Library	6	6	0	6	6
Animal and Plant Health Inspection Service	1,700	960	(10)	1,605	921
Working Capital Fund-Dept'al Administration	120	58	0	101	73
Office of Governmental and Public Affairs-Dept'al Administration	3	3	0	4	3
Office of the Secretary-Dept'al Adm.	2	2	0	1	1
Foreign Agricultural Service	4	4	0	18	15
National Agricultural Statistical Service	108	2	0	15	15
Economics Statistical Service	17	17	0	0	0
Economic Research Service	1	1	0	16	16
Office of Inspector General	4	4	0	14	9
Office of General Counsel	1	1	0	0	0
Office of Transportation	1	1	0	1	1
Packers and Stockyards Administration	0	0	0	1	0
World Agricultural Outlook Board	0	0	0	0	0
Agricultural Cooperative Service	0	0	0	0	0
Office of Rural Development Policy	0	0	0	0	0
TOTALS	145,900,250	10,828,054	(305,631)	145,298,853	9,955,620

Source: Office of Finance and Management, U.S. Department of Agriculture.

Appendix

Listing of Audit Reports Issued April 1, 1986 through September 30, 1986

During the 6-month period from April 1986 through September 30, 1986, the Office of Inspector General issued 399 audit reports, including 141 performed under contract by certified public accountants.

The following is a listing of those audits:

	AGENCY	AUDITS RELEASED
AMS	Agricultural Marketing Service	12
ARS	Agricultural Research Service	4
ASCS	Agricultural Stabilization and Conservation Service	73
APHIS	Animal and Plant Health Inspection Service	4
CSRS	Cooperative State Research Service	1
ES	Extension Service	4
FmHA	Farmers Home Administration	46
FCIC	Federal Crop Insurance Corporation	2
FGIS	Federal Grain Inspection Service	2
FNS	Food and Nutrition Service	154
FSIS	Food Safety and Inspection Service	3
FAS	Foreign Agricultural Service	1
FS	Forest Service	24
NFC	National Finance Center	1
OFM	Office of Finance and Management	1
OGPS	Office of Grants and Program Systems	1
OIRM	Office of Information Resources Management	1
SEA	Science and Education Administration	2
SCS	Soil Conservation Service	5
MULT	Multi-Agency/Division Code	58
	Total Completed:	
	Single Agency Audit	341
	Multiagency/Division	58
	TOTAL RELEASED NATIONWIDE	399
	TOTAL COMPLETED UNDER CONTRACT*	141
	TOTAL SINGLE AUDITS ISSUED**	41

* Indicates audits completed under Certified Public Accountant contracts

** Indicates audits completed as single audits (OIG Cognizant)

***These audit reports were issued on October 31, 1986 and are not included in the statistics for audit reports issued.

**UNITED STATES DEPARTMENT OF AGRICULTURE
OFFICE OF INSPECTOR GENERAL—AUDITING
AUDIT REPORTS RELEASED
BETWEEN APRIL 01, 1986 and SEPTEMBER 30, 1986**

AUDIT NUMBER	REGION	RELEASE DATE	TITLE
<i>AGENCY - AMS AGRICULTURAL MARKETING SERVICE</i>			
* 01-041-0041	SWR	04-09-86	MILK MARKETING ORDER DALLAS TEXAS
* 01-041-0045	SER	09-11-86	AUDIT OF FLORIDA MILK MARKETING ORDERS, FT. LAUDERDALE, FL
* 01-041-0045	MWR	06-23-86	AUDIT OF CHGO REG AND INDIANA MMOS DAIRY COLK
* 01-041-0046	SER	08-22-86	AUDIT OF KENTUCKY MILK MARKETING ORDERS, LOUISVILLE, KY
* 01-041-0059	GPR	04-22-86	MILK MARKETING ORDERS, OVERLAND PARK, KS
* 01-041-0060	GPR	07-29-86	MILK MARKETING ORDERS, AURORA, CO
* 01-041-0061	GPR	06-17-86	MILK MARKETING ORDERS, MARYLAND HEIGHTS, MO
01-061-0001	NAR	08-26-86	INSPECTION & GRADING SERVICES
01-081-0002	NER	04-09-86	CHERRY REFERENDUM, WASHINGTON, D.C.
01-099-0041	WR	07-03-86	FILBERT MARKETING ORDER REFERENDUM OR-WA PRODUCTION AREA
01-099-0042	WR	07-29-86	WINTER PEAR AMENDMENT REFERENDUM, BALLOT COUNT, OR
01-099-0043	WR	09-18-86	REVIEW OF REFERENDUM ON THE HOPS MARKETING ORDER
TOTAL: AMS - AGRICULTURAL MARKETING SERVICE			— 12
<i>AGENCY - ARS AGRICULTURAL RESEARCH SERVICE</i>			
* 02-545-0001	NER	07-01-86	PREWARD AUDIT OF PROGRAM RESOURCES, INC., ANNAPOLIS, MD,
02-545-0002	NAR	04-29-86	CONTRACT AUDIT OF PLUM ISLAND, NEW YORK
* 02-545-0002	NER	07-24-86	PREWARD AUDIT OF BENDIX FIELD ENGINEERING CORP., COLUMBIA, MD
* 02-545-0003	WR	08-25-86	PREWARD AUDIT OF GLOBAL ASSOCIATES
TOTAL: ARS - AGRICULTURAL RESEARCH SERVICE			— 04
<i>AGENCY - ASCS AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE</i>			
03-001-0078	GPR	08-20-86	MANAGEMENT OF STATE AND COUNTY OPERATIONS IN IOWA
03-001-0079	GPR	06-10-86	MANAGEMENT OF STATE AND COUNTY OPERATIONS IN NORTH DAKOTA
03-001-0080	GPR	08-20-86	MANAGEMENT OF OPERATIONS IN MISSOURI, COLUMBIA, MO
03-011-1151	GPR	04-28-86	MANAGEMENT OF STATE AND COUNTY OPERATIONS IN BENTON, IOWA
03-011-1152	GPR	04-25-86	MANAGEMENT OF STATE AND COUNTY OPERATIONS IN BUTLER, IOWA
03-011-1155	GPR	04-04-86	MANAGEMENT OF STATE AND COUNTY OPERATIONS IN FAYETTE, IOWA
03-011-1157	GPR	04-25-86	MANAGEMENT OF STATE AND COUNTY OPERATIONS IN KOSSUTH, IOWA
03-011-1160	GPR	04-08-86	MANAGEMENT OF STATE AND COUNTY OPERATIONS IN SIOUX, IOWA
03-011-1161	GPR	04-04-86	MANAGEMENT OF STATE AND COUNTY OPERATIONS IN STUTZMAN, ND
03-011-1163	GPR	04-04-86	MANAGEMENT OF STATE AND COUNTY OPERATIONS IN SARGENT CO, ND
03-011-1166	GPR	04-02-86	MANAGEMENT OF STATE AND COUNTY OPERATIONS IN RAMSEY COUNTY
03-011-1168	GPR	04-28-86	MANAGEMENT OF STATE AND COUNTY OPERATIONS IN DUNN COUNTY
03-011-1169	GPR	06-12-86	MANAGEMENT OF STATE AND COUNTY OPERATIONS IN MCKENZIE CO
03-012-1086	GPR	04-28-86	AUDRAIN COUNTY OFFICE IN MEXICO, MISSOURI
03-012-1088	GPR	04-23-86	MANAGEMENT OF OPERATIONS IN RALLS COUNTY, NEW LONDON, MO
03-012-1089	GPR	04-22-86	MANAGEMENT OF OPERATIONS IN RAY COUNTY, RICHMOND, MO
03-012-1090	GPR	09-04-86	MANAGEMENT OF OPERATIONS IN SCOTLAND COUNTY, MEMPHIS, MO
03-012-1091	GPR	08-04-86	SURVEY OF OPERATIONS IN RAWLINS COUNTY, ATWOOD, KANSAS
03-012-1092	GPR	07-25-86	VALLEY COUNTY OFFICE, ORD, NEBR
03-012-1093	GPR	06-30-86	MANAGEMENT OF OPERATIONS IN JOHNSON COUNTY, WARRENSBURG, MO
03-012-1094	GPR	04-25-86	MANAGEMENT OF OPERATIONS IN LAFAYETTE COUNTY, HIGGINSVILLE
03-012-1095	GPR	07-10-86	MANAGEMENT OF OPERATIONS IN CLARK COUNTY, KAHOKA, MO
03-012-1096	GPR	06-30-86	MANAGEMENT OF OPERATIONS IN NODAWAY COUNTY, MARYVILLE, MO

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AUDIT REPORTS RELEASED
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AUDIT NUMBER	REGION	RELEASE DATE	TITLE
<i>AGENCY - ASCS AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE—(Continued)</i>			
03-012-1097	GPR	08-04-86	MANAGEMENT OF OPERATIONS IN ATCHISON COUNTY, ROCK PORT, MO
03-012-1098	GPR	07-10-86	MANAGEMENT OF OPERATIONS IN CALLAWAY COUNTY, FULTON, MO
03-091-0001	FMS	05-20-86	INTERNAL CONTROLS OVER CASH RECEIPTS AT KCMO—SURVEY
03-091-0003	FMS	07-10-86	CONTROLS OVER RECONCILIATION OF EFAP PAYMENTS AT THE KCMO
03-099-0037	NER	04-23-86	WORLD MARKET PRICES FOR RICE—1985 FARM BILL
03-099-0063	MWR	09-05-86	EATON COUNTY—CHARLOTTE MI SPEC REQUEST AUDIT
03-099-0089	GPR	04-29-86	SURVEY OF 1984 COMMODITY LOANS IN MISSOURI AND IOWA
03-099-0091	GPR	04-29-86	SURVEY OF 1984 COMMODITY LOANS IN IOWA
03-099-0095	GPR	06-30-86	USE OF WIRE TRANSFER FOR REPAYMENT OF RICE LOANS IN CA
03-099-0096	SWR	04-24-86	MAXIMUM PAYMENT LIMITATION, ASHLEY CO
03-099-0098	SWR	08-04-86	SURVEY OF RICE MARKET LOAN PLAN ON 1985 CROP, ARK
03-099-0101	SWR	05-23-86	1985 RICE FARM STORED COMM LOANS, LA
03-099-0102	SER	05-09-86	REVIEW OF MATURED LOANS, RALEIGH, NC
03-099-0102	SWR	09-04-86	RICE PAYMENT AUDIT—KENNEDY RICE DRYERS INC
03-099-0104	SWR	05-19-86	FACILITY LOAN FORECLOSURE, IZARD CO, ARK
03-099-0105	SER	09-26-86	SURVEY OF CCC COMMODITY LOAN COLLATERAL, KENTUCKY
03-099-0106	SER	06-30-86	USDA BENEFITS TO FOREIGN OWNED FARMS, TENNESSEE
03-530-0005	SER	04-18-86	ALA PREPARATION FOR STATE AND COUNTY AUTO PROJ (SCOAP)
03-530-0009	SER	06-16-86	SCOAP TOBACCO PROGRAM EVALUATION, SC
03-530-0010	SER	09-11-86	SCOAP, SYSTEM MANAGEMENT AND SECURITY, SC
03-530-0010	FMS	05-20-86	AUDIT OF DEVELOPMENT OF PCIS & GIS AT KCFO, KC, MO
03-530-0017	FMS	05-20-86	SCOAP SOFTWARE DEVELOPMENT
03-530-0020	FMS	04-23-86	MONITORING IMPLEMENTATION OF ACF2
03-545-0002	SER	08-13-86	AUDIT OF GFA PEANUT ASSOCIATION 1984 CROP YEAR, CAMILLA, GA
03-545-0003	NER	08-11-86	INCURRED COST AUDIT, COMPUTER SCIENCE CORP, FALLS CHURCH, VA
* 03-545-0005	NER	07-28-86	INDIRECT RATE AUDIT-COMPEX CORPORATION, ALEX., VA
03-555-0005	MWR	07-17-86	OHIO SCOAP LOAN RECONC & CCC LOANS OPEN AFTER MAT
03-555-0006	MWR	08-29-86	SCOAP LOAN RECONCILIATION 7 OVERDUE CCC LOAN, IL
03-621-0007	GPR	05-05-86	PIK PROGRAM—MARKETING COOPERATIVES
03-621-0014	FMS	06-05-86	KCMO—SURVEY OF GRAIN LOADING ORDERS
03-630-0001	GPR	07-01-86	PAYMENT LIMITATION IN GLACIER COUNTY, CUT BANK, MONTANA
03-630-0002	SER	05-12-86	PAYMENT LIMITATION AUDIT, WARREN COUNTY, MS
03-630-0003	SER	05-12-86	PAYMENT LIMITATION AUDIT, BOLIVAR COUNTY, MS
03-630-0004	SER	05-12-86	PAYMENT LIMITATION AUDIT, SUNFLOWER COUNTY, MS
03-630-0005	SER	05-19-86	PAYMENT LIMITATION AUDIT, WASHINGTON COUNTY, MS
03-630-0012	SWR	05-16-86	MAX PAYMENT LIMIT 1984-85 FG R NC & WH PR, MATAGORDA CO
03-630-0013	SWR	04-11-86	MAX PAYMENT LIMIT 1984-85 FG R UC WH PRO, WHARTON CO
03-630-0018	SWR	04-15-86	MAX PAYMENT LIMIT 1984-85 FG R UC WH, LOUISIANA
03-632-0001	MWR	04-01-86	DAIRY TERMINATION PROGRAM
03-632-0002	SWR	09-12-86	DAIRY TERMINATION PROGRAM COMPLIANCE PHASE, NM
03-632-0003	SWR	08-25-86	DAIRY TERMINATION PROGRAM COMPLIANCE PHASE, AR
03-633-0001	SER	09-23-86	1986 PRODUCTION ADJUSTMENT AND CONSERVATION RESERVE, NC
03-633-0001	MWR	07-24-86	PRODUCTION ADJUST & CONSERVATION RESERVE, IL
03-633-0002	SER	09-24-86	1986 PRODUCTION ADJUSTMENT AND CONSERVATION RESERVE, TN
03-633-0002	MWR	08-06-86	PRODUCTION ADJUSTMENT AND CONSERVATION RESERVE, MN
03-633-0004	SWR	08-29-86	1986 PRODUCTION ADJUSTMENT AND CONSERVATION RESERVE, NEW MEXICO
03-634-0001	WR	08-05-86	PRODUCTION ADJUSTMENT AND CONSERVATION RESERVE PROGRAMS, OR
03-634-0002	WR	08-05-86	PRODUCTION ADJUSTMENT AND CONSERVATION RESERVE PROGRAMS, WA
03-634-0003	WR	09-09-86	PRODUCTION ADJUSTMENT AND CONSERVATION RESERVE PROGRAMS, CA
03-635-0001	SWR	08-22-86	1985 RICE INVENTORY PAYMENTS AND LOANS

TOTAL: ASCS - AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

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AUDIT NUMBER	REGION	RELEASE DATE	TITLE
<i>AGENCY - APHIS ANIMAL AND PLANT HEALTH INSPECTION SERVICE</i>			
33-003-0003	NAR	09-17-86	AUDIT OF VETERINARY SERVICES
33-099-0006	WR	06-19-86	MEDFLY ERADICATION PROJECT IN CALIFORNIA
33-545-0006	NER	05-22-86	PREAWARD AUDIT—APHIS SOLICITATION 6-0016, ALEXANDRIA, VA
33-555-0001	FMS	09-05-86	BIS POST SYSTEMS IMPLEMENTATION AUDIT
TOTAL: APHIS - ANIMAL AND PLANT HEALTH INSPECTION SERVICE			— 04
<i>AGENCY - CSRS COOPERATIVE STATE RESEARCH SERVICE</i>			
13-004-0003	SER	07-16-86	VIRGINIA STATE UNIVERSITY, PETERSBURG, VIRGINIA
TOTAL: CSRS - COOPERATIVE STATE RESEARCH SERVICE			— 01
<i>AGENCY - ES EXTENSION SERVICE</i>			
06-001-0001	SER	07-22-86	ALABAMA STATE PROGRAM, AUBURN, ALABAMA
06-004-0004	SER	04-29-86	VIRGINIA STATE UNIVERSITY, PETERSBURG, VA
06-004-0005	SER	05-13-86	DELAWARE STATE, DOVER, DELAWARE
06-004-0008	SER	07-10-86	UNIVERSITY OF MARYLAND EASTERN SHORE, PRINCESS ANNE, MARYLAND
TOTAL: ES - EXTENSION SERVICE			— 04
<i>AGENCY - FMHA FARMERS HOME ADMINISTRATION</i>			
04-002-0002	NAR	05-20-86	AUDIT OF THE MAINE FMHA PROGRAM
04-011-0238	NER	04-01-86	WILLIAMSBURG COUNTY, WILLIAMSBURG, VA
04-011-0243	NER	09-23-86	CLINTWOOD COUNTY, CLINTWOOD VA
04-012-0011	NAR	05-05-86	OVERVIEW AROOSTOCK COUNTY, ME
04-097-0004	SER	04-16-86	RURAL HOUSING PROGRAM, GREENVILLE, SC
04-099-0003	FMS	07-11-86	FOLLOW-UP LIMITED RESOURCE FARM OWNERSHIP LOANS
04-099-0037	WR	07-29-86	SPECIAL REQUEST AUDIT OF RURAL RENTAL HOUSING BORROWER
04-099-0049	WR	08-25-86	RURAL RENTAL HOUSING PROGRAM WASHINGTON STATE
04-099-0058	WR	05-22-86	SURVEY OF FMHA SERVICING OF DELINQUENT BORROWERS
04-099-0060	NER	04-29-86	DISTRICT OFFICE EMPORIA, VIRGINIA WHISTLEBLOWER
04-099-0080	GPR	04-24-86	SURVEY OF RECOVERABLE ANDNON-RECOVERABLE COSTS, ST. LOUIS
04-099-0082	GPR	07-29-86	BUSINESS AND INDUSTRY LOAN GUARANTEE CORSICA INC., SO DAK
04-099-0084	GPR	09-15-86	SURVEY OF RECOVERABLE AND NONRECOVERABLE COSTS IN IOWA
04-099-0113	SWR	04-15-86	B&I LOAN NICOLOSI ENT & CONCENTRIC PIPE RENT INC., LA
04-099-0115	SWR	07-28-86	B&I LOAN SANDERS EQUIPMENT COMPANY INC., IBERIA P, LA
04-099-0117	SWR	05-20-86	B&I LOAN LAFFERTY EQUIPMENT COMPANY, LAFAYETTE P, LA
04-099-0119	SWR	09-17-86	B&I LOAN—ZIA AIRLINES GROUP 36-07-850220684
04-099-0121	SWR	07-17-86	B&I LOAN OIL WELL LABOR CREWS & SERV INC., GRETNA, LA

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AUDIT NUMBER	REGION	RELEASE DATE	TITLE
<i>AGENCY - FMHA FARMERS HOME ADMINISTRATION—(Continued)</i>			
04-099-0122	SWR	07-22-86	B&I LOAN OWL CONSTRUCTION COMPANY INC., GREYNA, LA
04-099-0123	SWR	07-21-86	EM ANN PROD LOANS NATCHITOCHESS SABINE PA OF NATCH, LA
04-099-0129	SWR	09-11-86	SPECIAL SALE OF SINGLE FAMILY HOUSING INVENTORY PROP, TX
04-099-0197	SER	06-12-86	RURAL HOUSING PROGRAM MISSISSIPPI
04-099-0198	SER	09-30-86	LABOR HOUSING—MULTI-REGION AUDIT
04-099-0203	SER	04-24-86	RH SEPTIC SEWAGE, LAFOLLETTE, TENNESSEE
04-099-0208	SER	06-09-86	PRIORITIZING & PROCESSING RH LOAN APPLICATIONS, FLORIDA
04-099-0212	SER	04-24-86	REVIEW WASHINGTON COUNTY, NC
04-099-0213	SER	09-19-86	BUSINESS AND INDUSTRIAL LOAN PROGRAM, RALEIGH, NC
04-099-0218	SER	07-25-86	RURAL HOUSING LOAN, MADISON COUNTY, RICHMOND, KY
04-099-0219	SER	08-07-86	RURAL COMMUNITY FACILITY TRACKING SYSTEM
04-099-0223	SER	05-19-86	FEDERAL EMPLOYEES WITH DELINQUENT LOANS, GEORGIA
04-099-0224	SER	09-18-86	EVALUATION ST OFFICE MANAGEMENT AND RH SERVICING CONTRACT, SC
04-099-0225	SER	04-10-86	AUDIT FOLLOWUP ACCOUNTING FOR TOBACCO CONTRIBUTIONS, GA
04-099-0226	SER	09-22-86	REVIEW—MECKLENBURG COUNTY, NC
04-099-0228	SER	04-30-86	PROCESSING RH LOAN APPLS AND INTEREST CREDIT RENEWAL, DC
04-099-0229	SER	08-13-86	COUNTY OFFICE, UNION, SC
04-099-0233	SER	09-11-86	LOANS TO FEDERAL EMPLOYEES—GRADUATION, MS
04-099-0234	SER	09-05-86	LOANS TO FEDERAL EMPLOYEES—SERVICING, MS
04-099-0237	SER	07-09-86	FEDERAL EMPLOYEES WITH DELINQUENT LOANS, NC
04-099-0241	SER	07-09-86	FEDERAL EMPLOYEES WITH DELINQUENT LOANS, ALABAMA
04-099-0246	SER	07-09-86	FEDERAL EMPLOYEES WITH DELINQUENT LOANS, FL
04-530-0022	FMS	09-26-86	MONITORING IMPLEMENTATION OF ACF2
04-530-0031	FMS	08-22-86	PROGRAM ACCOUNTING SYSTEM CONVERSION, FO, ST LOUIS, MO
04-650-0003	GPR	04-01-86	MONITORING OPERATIONS REVIEW OF DEBT SET-ASIDE IN IOWA .
04-651-0001	NER	06-13-86	SURVEY ARBITRTN SETLMT AWRD OF CONTR CLMS AGNST BORRWRS
04-655-0001	SER	09-26-86	ALLOCATION OF LOAN FUNDS, WASHINGTON, D. C.
04-659-0001	SER	09-26-86	DESIGNATION OF RURAL AREAS—SURVEY
TOTAL: FMHA - FARMERS HOME ADMINISTRATION			— 46

AGENCY - FCIC FEDERAL CROP INSURANCE CORP

05-099-0009	SWR	07-17-86	INDEM PMTS TO SPEC PROD IN TX & OK
05-099-0010	SWR	09-15-86	INDEM PMTS TO SPEC PROD IN ARK
TOTAL: FCIC - FEDERAL CROP INSURANCE CORP			— 02

AGENCY - FGIS FEDERAL GRAIN INSPECTION SERVICE

37-097-0001	NER	04-01-86	WHISTLEBLOWER COMPLAINT
37-099-0002	NER	04-01-86	ACCOUNTING SYSTEM FOR USER FEES
TOTAL: FGIS - FEDERAL GRAIN INSPECTION SERVICE			— 02

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AUDIT NUMBER	REGION	RELEASE DATE	TITLE
<i>AGENCY - FNS FOOD AND NUTRITION SERVICE</i>			
27-002-0005	NAR	09-11-86	COMMODITY DISTRIBUTION PROGRAM VERMONT STATE AGENCY
27-005-0078	SWR	05-12-86	CDP KING COLD STORAGE WAREHOUSE, HARRAHAN, LA
27-013-0038	SWR	08-28-86	FSP TDHR RECIPIENT PARTICIPATION IN 2 OR MORE HOUSEHOLDS
27-013-0043	SWR	08-25-86	FSP DUPLICATE MAIL ISSUANCES, SANTA FE, NM
27-017-0005	NER	07-18-86	CITY OF BALT FSP VALIDATION REVIEW
27-019-0029	SER	07-21-86	FOOD STAMP ISSUANCE CONTROLS, TENNESSEE
27-022-0038	SER	08-22-86	AUDIT OF CNP ADMINISTERED BY FLORIDA DEPT OF EDUCATION
27-023-0190	MWR	09-10-86	ANDERSON SCHOOL CORP ANDERSON INDIANA
* 27-023-0195	NER	07-10-86	BALTIMORE CITY SCHOOL FOOD AUTHORITY, BALTIMORE, MD
27-023-0195	SER	08-07-86	SCHOOL FOOD SERVICE PROGRAM, BIRMINGHAM, AL CITY SCHOOLS
27-023-0196	SER	09-26-86	SCHOOL LUNCH PROGRAM, HARRISON CO SCHOOL DIST, GULFPORT
27-025-0028	SWR	05-08-86	CCFP TRINITY CHICANO COALITION, EL PASO, TX
27-025-0029	SWR	06-04-86	CCFP SURVEY NATL ISSUES, LA DEPT ED, BATON ROUGE, LA
* 27-029-0120	NER	06-01-86	FAIRFAX CO FOR CHILDREN, FAIRFAX, VA
* 27-029-0122	NER	04-01-86	TIDEWATER CHILD CARE ASSOCIATION, TSMOUTH, VA
* 27-029-0124	NER	07-10-86	ARLINGTON COMMUNITY ACTION PROGRAM, ARLINGTON, VA
* 27-029-0125	NER	06-25-86	NEWPORT NEWS OFFICE OF HUMAN AFFAIRS, NEWPORT NEWS, VA
* 27-029-0129	NER	04-01-86	DENBY PARK DAYCARE CENTER, NORFOLK, VA
* 27-029-0131	NER	04-01-86	CHESAPEAKE BUREAU OF SOCIAL SERVICES, CHESAPEAKE, VA
* 27-029-0134	NER	04-01-86	BUCKROE BAPTIST CHURCH CHILDCARE CENTER, HAMPTON, VA
* 27-029-0137	NER	06-11-86	WOODVILLE CHURCH OF THE NAZARENE DAY NURSERY, RICHMOND, VA
* 27-029-0140	NER	06-19-86	FAIRFAX COUNTY DEPT OF COMMUNITY ACTION, FAIRFAX, VA
* 27-029-0141	NER	06-19-86	BASICS CHILD CARE, VIRGINIA BEACH, VIRGINIA
* 27-029-0142	NER	09-19-86	CATHOLIC CHARITIES, ARLINGTON, VIRGINIA
* 27-029-0143	NER	08-05-86	ALEXANDRIA DEPT OF SOCIAL SERVICES, ALEXANDRIA, VIRGINIA
* 27-029-0144	NER	06-19-86	VIRGINIA COMMONWEALTH UNIVERSITY CARE CENTER, RICHMOND, VA
* 27-029-0145	NER	06-19-86	FOCUS, INC, FAIRFAX, VIRGINIA
* 27-029-0146	NER	06-19-86	DUKE STREET BAPTIST CHURCH, ALEXANDRIA, VIRGINIA
* 27-029-0147	NER	09-17-86	FAIRFAX COUNTY SALVATION ARMY, FAIRFAX, VIRGINIA
* 27-029-0148	NER	09-17-86	RAINBOW OF EDUCATION, SUFFOLK, VIRGINIA
* 27-029-0193	GPR	04-01-86	CCFP, THE CHILDREN'S CORNER, (59601), OMAHA, NE
* 27-029-0213	GPR	04-08-86	CCFP, MIDWEST CHILD CARE HOME ASSOC (65156), OMAHA, NE
* 27-029-0225	GPR	04-01-86	CCFP, DENVER HEADSTART CH OP PR INC (65040), DENVER, CO
* 27-029-0232	SER	06-20-86	CCFP, AUDIT OF KNOXVILLE DAY CARE HOME ASSOC, KNOXVILLE, TN
* 27-029-0235	SER	04-10-86	CCFP, AUDIT OF NAVAL AIR STATION MEMPHIS 61, MILLINGTON, TN
* 27-029-0238	SER	06-23-86	CCFP, AUDIT OF NON-DENOMINATIONAL YOUTH CRUSADE, COLUMBIA, TN
* 27-029-0239	SER	09-11-86	CCFP, AUDIT OF PILGRIM EMANUEL BAPT CH, NASHVILLE, TN
* 27-029-0240	SER	07-30-86	CCFP, AUDIT OF MCKENZIE DAY CARE CENTER, MCKENZIE, TN
* 27-029-0241	SER	06-20-86	CCFP, AUDIT OF FANNIE BATTLE DAY HOME, NASHVILLE, TN
* 27-029-0243	SER	06-20-86	CCFP, AUDIT OF WEE CARE DAY CARE CENTER, MURFREESBORO, TN
* 27-029-0254	GPR	04-01-86	CCFP, AUDIT 1ST SPACE SUPPORT GROUP, (65126), PETERSON AFB, CO
* 27-029-0263	GPR	04-01-86	CCFP, DELTA AREA EOC, (65375) PORTAGEVILLE, MO
* 27-029-0283	GPR	04-01-86	CCFP, MARY MOPPETS DAY CARE SCHOOL, (65310), LINCOLN, NE
* 27-029-0284	GPR	04-01-86	CCFP, NORTHWEST NEBRASKA CAC, (56686), CHADRON, NE
* 27-029-0285	GPR	04-01-86	CCFP, CENTRAL NE COM SER HS PRO, (56669), LOUP CITY, NE
* 27-029-0288	GPR	04-01-86	CCFP, GINGERBREAD PLAY SCHOOL INC, (65207), HASTINGS, NE
* 27-029-0289	GPR	04-08-86	CCFP, DEPT OF WELFARE CHILD NUT 96(65386), ST LOUIS, MO
* 27-029-0290	GPR	04-01-86	CCFP, LEARNING TREE DAY NUR (57092), ST LOUIS, MO
* 27-029-0293	GPR	04-01-86	CCFP, W CEN MO RURAL DEV CORP, (56620), APPLETON CITY, MO
* 27-029-0299	GPR	04-07-86	CCFP, TINY TOT SCHOOL OF ST LOUIS, (65227), ST LOUIS, MO
* 27-029-0300	GPR	04-01-86	CCFP, UNITED CHURCH OF CHRIST, (56901), SAINT LOUIS, MO
* 27-029-0301	GPR	04-01-86	CCFP, COCHRAN GARDENS TENANT MC, (65380), ST LOUIS, MO
* 27-029-0303	GPR	04-01-86	CCFP, LUTHERAN FAMILY & CHILD SER, (54051), ST. LOUIS, MO
* 27-029-0305	GPR	04-01-86	CCFP, DARST CHILD DEVELOPMENT, (61454), ST. LOUIS, MO
* 27-029-0306	GPR	04-07-86	CCFP, LES BEAUX ENFANTS LTD, (65233), ST. LOUIS, MO
* 27-029-0307	GPR	04-16-86	CCFP, BUTTONS AND BOWS PRE-SCHOOL, (65195), ST. LOUIS, MO

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27-029-0308	GPR	04-01-86	CCFP, VAUGHN TENANT ASSOCIATION, (65374), ST. LOUIS, MO
27-029-0310	WR	04-01-86	1985 CCFP HONOLULU COMM. ACTION PROGRAM HA
27-029-0311	WR	04-01-86	1985 CCFP KINDERGARTEN & CHILDRENS AID ASSOC. HA
27-029-0312	WR	04-01-86	1985 CCFP HAWAII CHILD CENTERS, HA
27-029-0314	WR	04-15-86	1985 CCFP FAMILY SERVICES CENTER, HA
27-029-0317	WR	04-14-86	1985 CCFP SEAGULL SCHOOLS HA
27-029-0496	NAR	05-09-86	CCFP, HAMILTON MADISON HOUSE DCC
27-029-0516	NAR	04-11-86	CCFP, CHINESE METHODIST COMMUNITY CENTER
27-029-0517	NAR	04-02-86	CCFP, UNI SETTLEMENT SOCIETY OF NY LEAGUE FOR CC FAMILY
27-029-0518	NAR	04-02-86	CCFP, HUDSON GUILD CC CTR, HUDSON GUILD HEADSTART NURSERY
27-029-0522	NAR	05-27-86	CCFP, TABERNACLE OF GOD INC
27-029-0592	NAR	04-08-86	CCFP, FAR ROCKAWAY INNWOOD NAACP DAY CARE
27-029-0601	NAR	05-13-86	CCFP, ACTION FOR A BETTER COMMUNITY DC
27-029-0607	NAR	04-16-86	CCFP, OREGON LEOPOLD DCC
27-029-0607	NAR	04-16-86	CCFP, LADIES COMM FOR PUERTORICAN CULTURE INC
27-029-0611	NAR	04-16-86	CCFP, HAITIAN AMERICAN DCC
27-029-0612	NAR	04-16-86	CCFP, CHURCH OF THE OPEN DOOR
27-029-0613	NAR	04-16-86	CCFP, WILLOUGHBY HOUSE SETTLEMENT
27-029-0614	NAR	04-03-86	CCFP, TABER CHURCH OF GOD DCC
27-029-0616	NAR	05-13-86	CCFP, UTICA HEAD START CHILDREN AND FAMILIES INC
27-029-0617	NAR	04-08-86	CCFP, ONEIDA COUNTY DEPT OF SOCIAL SERVICES
27-029-0618	NAR	05-16-86	CCFP, OPPORTUNITIES FOR CHENANGO HS CHILD DEV PROGRAM
27-029-0619	NAR	06-02-86	CCFP, OPPORTUNITIES FOR OSTECO
27-029-0620	NAR	05-13-86	CCFP, COMMUNITY KIDS TLC
27-029-0623	NAR	05-21-86	CCFP, POLICE ATHLETIC LEAGUE DAYCARE & SCHOOL AGE
27-029-0628	NAR	04-11-86	CCFP, WESTSIDE COMMUNITY ALLIANCE DCC
27-029-0629	NAR	05-21-86	CCFP, CHINA SOCIETY INC
27-029-0630	NAR	05-13-86	CCFP, CARDINAL SPELLMAN CTR HS
27-029-0632	NAR	04-10-86	CCFP, EMMANUEL DCC
27-029-0640	NAR	04-04-86	CCFP, BETHEL HEAD START PROGRAM
27-029-0643	NAR	05-05-86	CCFP, FRIENDSHIP HOUSE HS
27-029-0656	NAR	05-05-86	CCFP, ALBANY COUNTY OPPORTUNITY INC HS
27-029-0668	NAR	04-14-86	CCFP, COLONY SOUTH BROOKLYN HOUSES INC
27-029-0671	NAR	04-18-86	CCFP, NATIONAL ASSOCIATION DEVELOPMENT CENTERS
27-029-0672	NAR	04-14-86	CCFP, EDUCATIONAL UNLIMITED INC
27-029-0674	NAR	04-14-86	CCFP, FARRAGUT DAY CARE CENTER INC
27-029-0675	NAR	04-10-86	CCFP, NYS FEDERATION OF GROWERS & PROCESSORS ASSOC INC
27-029-0678	NAR	04-14-86	CCFP, ONONDAGA COUNTY DEPT OF SOCIAL SERVICES
27-029-0679	NAR	04-14-86	CCFP, DEPAUL DC CORPORATION COOPERATIVE DCC
27-029-0686	NAR	04-15-86	CCFP, LABOR SHERMAN AVE DCC
27-029-0688	NAR	04-10-86	CCFP, FEATHERBED LANE DCC
27-029-0687	NAR	04-15-86	CCFP, LUCILLE MURRAY CHILD DEV CTR
27-029-0690	NAR	04-14-86	CCFP, PARKCHESTER BRONXDAL DAY CARE ASSOCIATION
27-029-0692	NAR	04-10-86	CCFP, SEVEN CORNERS CCC
27-029-0700	NAR	04-10-86	CCFP, TRISTATE AREA DCC
27-029-0708	NAR	04-15-86	CCFP, YONKERS COMMUNITY ACTION HEAD START
27-029-0710	NAR	04-15-86	CCFP, ASSOCIATION OF BLACK SOCIAL WORKERS CDC
27-029-0714	NAR	04-10-86	CCFP, CHILDRENS DC INC
27-029-0715	NAR	06-10-86	CCFP, FRANK LYONS COMMUNITY ASSOCIATION, INC
27-029-0722	NAR	04-04-86	CCFP, COMMUNITY DAY NURSERY INC
27-029-0724	NAR	04-04-86	CCFP, EAST NEW YORK NAACP DCC
27-029-0759	NAR	05-13-86	CCFP, BETTER EDUCATION STARTS TODAY
27-029-0760	NAR	04-02-86	CCFP, BELMONT COMMUNITY DAY CARE CENTER INC
27-029-0761	NAR	05-13-86	CCFP, LABOR BATHGATE CHILD CARE CENTER
27-029-0762	NAR	04-02-86	CCFP, WILLIAMSBRIDGE NAACP DAY CARE CENTER
27-029-0763	NAR	05-13-86	CCFP, MOTT HAVEN EAST 146 STREET DAY CARE CENTER
27-029-0769	NAR	04-15-86	CCFP, LENOX HILL NEIGHBORHOOD ASSOCIATION INC
27-029-0770	NAR	04-15-86	CCFP, THE CHILDREN'S AID SOCIETY
27-029-0771	NAR	04-15-86	CCFP, COMMUNITY LIFE CENTER HEADSTART
27-029-0772	NAR	04-14-86	CCFP, JAMES WELDON JOHNSON COMMUNITY CENTER HEADSTART
27-029-0773	NAR	04-14-86	CCFP, CITIZENS CARE DAY CARE CENTER
27-029-0775	NAR	07-07-86	CCFP, BOYS HARBOR INC
27-029-0781	NAR	04-04-86	CCFP, BRONXDAL TENANTS LEAGUE DAY CARE CENTER

AGENCY - FNS FOOD AND NUTRITION SERVICE—(Continued)

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<i>AGENCY - FNS FOOD AND NUTRITION SERVICE—(Continued)</i>			
27-031-0008	NAR	06-12-86	AUDIT OF THE NEW JERSEY WIC PROGRAM, TRENTON, NJ
27-034-0001	MWR	06-13-86	CSFP, MICHIGAN DEPT OF EDUCATION
27-034-0002	MWR	08-20-86	COMMODITY SUPPLEMENTAL FOOD PROG FOCUS HOPE
* 27-099-0040	GPR	09-23-86	TITLE III NPE AND TEFAP, WYANDOTTE/LEAVENWORTH CO, KS
27-099-0073	MWR	09-10-86	OHIO TEMP FOOD ASSISTANCE PROGRAM, COLUMBUS, OHIO
27-099-0074	MWR	09-22-86	TEMP EMERGENCY FOOD PROG SHARE FOOD BANK
27-541-0027	SER	07-31-86	REVIEW OF ENHANCEMENTS, ALABAMA FS SYSTEM
* 27-545-0005	WR	04-11-86	PREAWARD COST AUDIT, JEFFRIES BANKNOTE CO., CA
27-545-0009	SER	05-02-86	INCURRED COST AUDIT, KENTUCKY CONTRACT 53-3198-3-29
27-545-0012	SER	05-13-86	COSTS INCURRED UNDER FLORIDA DHRS CONTRACT NO. 533198265
* 27-545-0030	NAR	06-12-86	CONTRACTS 53 3198-2-6, UNITED STATES BANKNOTE CORP.
* 27-545-0030	NER	07-30-86	INCURRED COST AUDIT-APPLIED MGMT. SCIENCES, SS, MD
* 27-545-0031	NAR	07-23-86	CONTRACTS 53-3198-4-34, UNITED STATES BANKNOTE CORP.
* 27-545-0032	NAR	06-27-86	PREAWARD AUDIT—SCHOOL LUNCH—ABT ASSOCIATES, INC
* 27-545-0033	NAR	08-11-86	CONTRACT PREAWARD AUDIT OF MATHEMATICA RESEARCH, INC.
* 27-545-0033	NER	07-29-86	INCURRED COST AUDIT-MAXIMUM, INC., MCLEAN, VA
* 27-545-0042	NER	04-29-86	PREAWARD AUDIT-BRITISH AMERICAN BANK NOTE, INC., OTTAWA, CANADA
* 27-545-0046	NER	06-19-86	PREAWARD AUDIT-APPLIED MGMT. SCIENCES, INC, SILVER SPRING, MD
27-555-0001	GPR	04-28-86	FSP, INT. CONTR. OVER ADPISSUANCE, JEFFERSON CITY, MO
27-639-0005	MWR	04-03-86	CLOSEOUT AUDIT OF QUALITY CHILD CARE INC PLYMOUTH MINN
27-650-0001	NAR	04-14-86	AUDIT OF THE NERO FSP QC ERROR RATE REDUCTION PROGRAM
27-650-0001	SER	05-14-86	FSP QUALITY CONTROL ERROR RATE REDUCTION SYSTEM
27-650-0001	SWR	04-29-86	FOOD STAMP PROGRAM REVIEW OF QUALITY CONTROL IN OK, LA, TX
27-650-0001	WR	04-01-86	REVIEW OF CALIFORNIA QUALITY CONTROL SYSTEM
** 27-650-0002	NER	10-31-86	FOOD STAMP PROGRAM QUALITY CONTROL ERROR RATE REDUCTION SYSTEM
27-655-0001	SWR	09-04-86	FSP FOLLOWUP AUDIT ON WAGE MATCHING ACTIVITIES IN AR
27-655-0002	SER	07-31-86	FOOD STAMP WAGE MATCHING FLORIDA STATE AGENCY
27-655-0002	SWR	08-08-86	FSP FOLLOWUP AUDIT OF WAGE MATCHING ACTIVITIES IN TEXAS
*** 27-655-0002	MWR	10-31-86	REVIEW OF THE PROGRESS MADE TO IMPLEMENT WAGE MATCHING IN THE FOOD STAMP PROGRAM, FOOD NUTRITION SERVICE
27-655-0003	SER	05-14-86	FOOD STAMP WAGE MATCHING, NORTH CAROLINA STATE AGENCY
27-655-0003	MWR	06-20-86	AUDIT OF THE IMPLEMENTATION OF WAGE MATCH REQ, INDIANA
27-655-0003	SWR	06-05-86	FSP WAGE MATCH IMPLEMENTATION AT FNSRO, DALLAS TX
27-655-0003	WR	07-15-86	FOOD STAMP PROGRAM, AUDIT OF OREGON WAGE MATCH SYSTEM
27-655-0004	MWR	06-23-86	AUDIT OF THE IMPLEMENTATION OF WAGE MATCH REQ., MICHIGAN
27-655-0005	MWR	06-19-86	IMPLEMENTATION OF WAGE MATCH REQ MIDWEST FNSRO
27-656-0003	MWR	04-25-86	CHILD CARE FOOD PROGRAM, COLUMBUS, OHIO
TOTAL: FNS - FOOD AND NUTRITION SERVICE			— 154

AGENCY - FSIS FOOD SAFETY AND INSPECTION SERVICE

* 38-092-0001	MWR	08-20-86	AUD OF INDIR COST PRO OF WIS DEPT OF AG
* 38-092-0001	SWR	04-03-86	LA DEPT AG INDIRECT COST RATE
38-607-0001	SER	09-26-86	MEAT AND POULTRY INSPECTION PROGRAM, WASHINGTON, DC

TOTAL: FSIS - FOOD SAFETY AND INSPECTION SERVICE

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<i>AGENCY - FAS FOREIGN AGRICULTURAL SERVICE</i>				
07-099-0008	NER	04-24-86	INFESTATION OF COMMODITIES—DOMINICAN REPUBLIC	
TOTAL: FAS - FOREIGN AGRICULTURAL SERVICE				— 01
 <i>AGENCY - FS FOREST SERVICE</i>				
08-097-0001	NER	07-30-86	WHISTLEBLOWER COMPLAINT	
* 08-099-0006	SWR	04-07-86	ARKANSAS FORESTRY COMMISSION INDIRECT COST RATE	
08-099-0008	NER	05-22-86	AUDIT OF HELISTAT PROJECT	
08-099-0017	SER	05-05-86	SURVEY OF RESEARCH AND DEVELOPMENT	
08-099-0070	WR	04-01-86	REVIEW OF RLC INDUSTRIES AND SUBSIDIARIES	
* 08-099-0071	WR	09-04-86	OMB A-87 IND. COST PROPOSAL—WA DEPT OF NATURAL RESOURCES	
08-099-0072	WR	04-16-86	SKI AREA DEVELOPMENT AT MT SHASTA WILDERNESS AREA, CA	
* 08-545-0002	GPR	04-18-86	AUDIT OF CONTRACTOR CLAIM, CCI CONST. INC, MISSOULA, MT	
08-545-0014	NER	06-03-86	INCURRED COST AUDIT INTL UNION OF OPER. ENG., DC	
08-545-0016	NER	07-15-86	JOB CORPS CENTER INTERNATIONAL UNION OF ENGRS FOR DOL/OIG	
08-545-0017	WR	04-08-86	CONTRACT CLAIM TERMINATE FOR GOV CHESTERSHIRE RD OLYMPIC	
* 08-545-0018	NER	04-01-86	INCURRED COST AUDIT-LABAT-ANDERSON, INC, ARLINGTON, VA	
* 08-545-0022	WR	04-11-86	AUDIT OF EQUITABLE ADJUSTMENT CLAIM, WILLAMETTE N.F., OR	
08-545-0023	WR	05-22-86	EVALUATION OF 1985 AIRTANKER OPERATING COST	
* 08-545-0024	WR	04-16-86	AUDIT OF TERMINATION SETTLEMENT PROPOSAL-3M CONTRACTORS	
* 08-545-0027	WR	08-21-86	POSTAWARD AUDIT-SELEY INC. CONTRACT CLAIM, KETCHIKAN, AK	
08-627-0004	WR	08-28-86	TIMBER SALE CONTRACT DEFAULTS	
08-628-0002	WR	05-06-86	CONTROL OVER DISBURSEMENTS AND RECEIPTS	
08-630-0002	SER	05-30-86	PLANNING AND ALLOCATION OF K-V FUNDS—REGION 8	
08-631-0001	SER	09-29-86	AUDIT OF YEAREND PROCUREMENT ACTIVITY	
08-631-0001	GPR	06-13-86	AUDIT OF YEAREND PROCUREMENT ACTIVITY—REGION 1	
08-631-0001	WR	09-11-86	AUDIT OF YEAREND PROCUREMENT ACTIVITY—REGION 5, PACIFIC, SW	
08-631-0002	MWR	04-03-86	AUDIT OF YEAREND PROCUREMENT ACTIVITY, MWRO	
08-631-0002	WR	06-27-86	AUDIT OF YEAREND PROCUREMENT ACTIVITY—REGION 6, PACIFIC, NW	
TOTAL: FS - FOREST SERVICE				— 24
 <i>AGENCY - NFC NATIONAL FINANCE CENTER</i>				
59-021-0003	FMS	06-24-86	MERIT PAY SYSTEM, NEW ORLEANS, LA	
TOTAL: NFC - NATIONAL FINANCE CENTER				— 01
 <i>AGENCY - OFM OFFICE OF FINANCE AND MANAGEMENT</i>				
43-099-0005	NER	04-08-86	SURVEY OF AGENCY USE OF IMPREST FUND	
TOTAL: OFM - OFFICE OF FINANCE AND MANAGEMENT				— 01

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<i>AGENCY - OGPS OFFICE OF GRANTS AND PROGRAM SYSTEMS</i>				
* 56-545-0001	NER	07-17-86	INCURRED COST AUDIT-CARNEGIE INSTIT., WASH, DC	
TOTAL: OGPS - OFFICE OF GRANTS AND PROGRAM SYSTEMS				— 01
<i>AGENCY - OIRM OFFICE OF INFORMATION RESOURCES MANAGEMENT</i>				
58-099-0002	FMS	06-30-86	MONITORING IMPLEMENTATION OF A CF2	
TOTAL: OIRM - OFFICE OF INFORMATION RESOURCES MANAGEMENT				— 01
<i>AGENCY - SEA SCIENCE AND EDUCATION ADMINISTRATION</i>				
* 40-545-0039	NER	04-08-86	PREAWARD AUDIT ARROW GENERAL, INC, ALEX, VA	
* 40-545-0040	NER	05-23-86	TERMINATED CONTRACT-BENDIX FIELD ENG'R'G. CORP, COLUMBIA, MD	
TOTAL: SEA - SCIENCE AND EDUCATION ADMINISTRATION				— 02
<i>AGENCY - SCS SOIL CONSERVATION SERVICE</i>				
10-097-0002	SER	06-10-86	PL 566 OPERATIONS—STATE OFFICE, ATHENS, GA	
10-099-0007	MWR	07-23-86	AUDIT OF SURETY TAKEOVER OF WATERSHED CONTRACT	
10-545-0015	SWR	07-31-86	ADDITIONAL CONTRACTOR CLAIM 50-7442-3-2627, GOULD, AR	
* 10-545-0018	WR	04-11-86	PREAWARD COST AUDIT-CENTURY WEST ENGINEERING, OREGON	
10-610-0003	SER	08-22-86	AREA AND FIELD OFFICE SITE PREPARATION FOR FOCAS	
TOTAL: SCS - SOIL CONSERVATION SERVICE				— 05
<i>AGENCY - MULT MULTI-AGENCY</i>				
50-070-0001	NER	06-11-86	PCIE REVIEW OF FED. TELECOMMUNICATIONS SYSTEM UTIL	
50-099-0001	FMS	04-01-86	USE OF ADP TECHNICAL SERVICE CONTRACTS	
50-099-0004	FMS	07-11-86	COOPERATIVE PROCESSING NEW ORLEANS, LA	
50-099-0030	NER	07-28-86	FMHA LOAN SECURITY	
50-099-0034	NER	08-25-86	AGENCY COMPLIANCE WITH OMB CIRCULAR A-76, WASHINGTON, DC	
50-099-0035	NER	08-21-86	PURCHASE VS LEASE OF OFFICE EQUIPMENT IN USDA, WASHINGTON, DC	
* 50-099-0039	GPR	08-12-86	INDIRECT COST PROPOSALS-IOWA DEPT OF AG, DES MOINES, IA	
50-099-0042	SWR	09-15-86	SURVEY OF CRES	
50-530-0004	FMS	04-30-86	ASCS/FNS MONITORING OF INTEGRATED ADP SYSTEM	

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<i>AGENCY - MULT MULTI-AGENCY—(Continued)</i>			
50-545-0006	NER	07-18-86	USDA GRADUATE SCHOOL, CLOSE OUT AUDIT, A.I.D. AGREEMENTS
**50-560-0003	NAR	05-14-86	P.R. RECREATIONAL DEVELOPMENT CO.
**50-560-0015	MWR	07-24-86	AUDIT OF ILL STATE DEPT OF AGRIC—A102P
**50-560-0017	MWR	04-01-86	ORGAN AUDIT OF WIS DEPT OF AG TRADE 7 CONS PRO
**50-560-0022	SER	06-23-86	A-102 ATT P FLORIDA DEPT OF HEALTH AND REHAB SERVICES
**50-560-0023	SER	05-21-86	A-102 ATT P AUDIT OF KY DEPT OF AGRICULTURE
**50-560-0024	SER	04-01-86	A-102 ATT P SOUTH CAROLINA DEPT OF AGRICULTURE
**50-560-0025	SER	06-13-86	A-102, ATT P AUDIT OF TENNESSEE DEPT OF AGRICULTURE
**50-560-0026	NER	09-19-86	PA A-102, ATT P DEPT OF ENVIRONMENTAL RESOURCES 7/1/81-6/30/83
**50-560-0026	SER	04-07-86	A-102, ATT P—SC LAND RESOURCES CONSERVATION COMM—FY 84
**50-560-0027	SER	08-22-86	A-102, ATT P AUDIT OF FLORIDA DEPT OF HEALTH & REHAB SERVICES
**50-560-0028	NER	09-12-86	PA A-102, ATT P ATTORNEY GENERAL 7/1/81-6/30/83
**50-560-0028	SER	09-04-86	A-102, ATT P AUDIT OF DEPT OF AGRICULTURE & IND STATE OF AL
**50-560-0029	NER	08-05-86	PA A-102, ATT P DEPT OF LABOR AND INDUSTRY 7/1/81-6/30/83
**50-560-0030	GPR	04-16-86	A-102, KANSAS ANIMAL HEALTH DEPT, (FY 83 & 84) TOPEKA, KS
**50-560-0031	GPR	04-16-86	A-102, KANSAS GRAIN INSPECTION DEPT, (FY 83 & 84) TOPEKA, KS
**50-560-0032	GPR	06-10-86	A-102, KANSAS STATE BOARD OF AGRICULTURE, (7/1/83-6/30/84),KS
**50-560-0033	NER	09-19-86	PA A-102, ATT P DEPT OF EDUCATION, 7/1/81-6/30/83
**50-560-0033	GPR	06-12-86	A-102, DEPARTMENT OF AGRICULTURE, (6-84), BISMARCK, ND
**50-560-0034	GPR	07-17-86	A-102, MONTANA DEPARTMENT OF AGRICULTURE(FY84-85), HEL., MT
**50-560-0036	SWR	06-03-86	A-102, ATT P ARKANSAS STATE PLANT BOARD
**50-560-0058	WR	04-09-86	A-102, REPORT—HAWAII STATE DEPARTMENT OF AGRICULTURE
**50-560-0060	WR	04-01-86	A-102, TAHOE REGIONAL PLANNING AGENCY FOR YEAR ENDED 6-85
**50-560-0061	WR	05-20-86	A-102, AUDIT OF THE CITY OF SEATTLE, WA
**50-560-0062	WR	06-13-86	A-102, CITY OF SAN JOSE FOR YR ENDED 6-30-85
**50-560-0063	WR	07-09-86	A-102, AUDIT OF EL PROGRESO DEL DESIERTO FOR YR ENDED 6-30-85
**50-562-0012	NER	09-12-86	A-110, AUDIT FRIENDS ASSN FOR CHILDREN YR END 12-31-85
50-566-0001	SER	07-24-86	A-128, AUDIT OF GEORGIA FORESTRY COMMISSION, ATLANTA, GA
50-566-0001	MWR	05-20-86	SINGLE AUD OF STATE OF MN
50-566-0001	SWR	06-09-86	A-128, TEXAS DEPARTMENT OF AGRICULTURE
50-566-0001	GPR	07-15-86	A-128, COLORADO DEPARTMENT OF AGRICULTURE (FY 85) DENVER, CO
50-566-0001	WR	06-27-86	A-128, AUDIT OF IDAHO STATE DEPARTMENT OF LANDS-FY82, 83&84
50-566-0002	SER	07-30-86	A-128, AUDIT OF GEORGIA DEPT OF AGRICULTURE, ATLANTA, GA
50-566-0002	WR	07-03-86	A-128, AUDIT OF CITY OF SAN LUIS OBISPO FY ENDED 6-30-85
50-566-0003	SER	07-24-86	A-128, AUDIT OF GEORGIA AGRIRAMA DEVELOPMENT AUTHORITY
50-567-0001	SER	05-19-86	A-128, AUDIT OF LIBERTY COUNTY, GA
50-567-0001	SWR	05-27-86	A-128, TEXAS DEPARTMENT OF HEALTH
50-567-0001	GPR	08-05-86	A-128, BITTER ROOT IRRIGATION DISTRICT, HAMILTON MT (FY 10-85)
50-567-0001	WR	09-24-86	A-128, REPORT CITY OF ROSELYN, KITTITAS COUNTY, WA-CYS 1984-85
50-567-0002	SWR	06-03-86	A-128, CITY OF SPUR TEXAS
50-567-0003	SWR	06-03-86	A-128, JICARILLA APACHE TRIBE
50-567-0004	SWR	06-03-86	A-128, NEW MEXICO DEPARTMENT OF EDUCATION
50-615-0179	NER	07-05-86	A-88 AUDIT RECHARGE CENTER FUND SURPLUS UNIV/WASH
50-658-0001	FMS	09-10-86	PCIE-AGENCY COMPLIANCE WITH IRS REPORTING REQUIREMENTS
50-658-0002	FMS	04-09-86	APHIS-COMPLIANCE WITH IRS REPORTING REQUIREMENTS
50-658-0003	FMS	08-21-86	ASCS-COMPLIANCE WITH IRS REPORTING REQUIREMENTS
50-658-0004	FMS	04-11-86	FCIC-COMPLIANCE WITH IRS REPORTING REQUIREMENTS
50-658-0005	FMS	04-28-86	FMHA-COMPLIANCE WITH IRS REPORTING REQUIREMENTS
50-658-0006	FMS	08-21-86	NFC-COMPLIANCE WITH IRS REPORTING REQUIREMENTS
TOTAL: MULT - MULTI-AGENCY/DIVISION CODE			— 58
TOTAL: RELEASED NATIONWIDE			— 399
TOTAL: UNDER CONTRACT			— 141