



United States
Department of
Agriculture

Office of
Inspector
General

September 1989

Office of Inspector General Semiannual Report to Congress

FY 1989—Second Half

PLEASE RETURN TO: ROOM 13-E
MANAGEMENT OPERATIONS STAFF



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United States
Department of
Agriculture

Office of
Inspector
General

Washington,
D.C.
20250

Honorable Clayton Yeutter
Secretary of Agriculture
Washington, D.C. 20250

Dear Mr. Secretary:

I respectfully submit the Office of Inspector General's Semiannual Report to Congress, summarizing our activities for the 6-month period ending September 30, 1989.

We concentrated our audit efforts on programs in the Federal Crop Insurance Corporation and the Foreign Agricultural Service. We reviewed crop indemnity payments, the export enhancement program, and commodity sale guarantees. We also continued our oversight of the Department's implementation of debt restructuring for Farmers Home Administration borrowers, producers' compliance with payment limitation rules, and the Forest Service's controls for preventing timber theft. Investigative efforts focused on employee integrity, public health and safety, and fraud in the farm loan and food stamp programs, but also included cases of bid rigging in rural electrification contracts and the illegal marketing of tobacco.

In this report, we have identified about \$63.6 million in recoveries and collections, and \$147.8 million in management commitments to put funds to better use. Our efforts also resulted in 466 indictments and 289 convictions during the 6-month period.

I appreciate the strong support that is given to the Office of Inspector General. I believe our accomplishments this period reflect well on the working relationship we have established with the Department's managers.

Sincerely,

Leon Snead
LEON SNEAD
Deputy Inspector General

Enclosure

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EXECUTIVE SUMMARY

This is the 22nd 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 (Public Law 95-452), and Section 106 of the Inspector General Act Amendments (Public Law 100-504). This report reflects the changes in reporting requirements of Section 106 and covers the period April 1, 1989, through September 30, 1989.

This period OIG has performed significant audit and investigative work on programs administered by the Department of Agriculture. The following excerpts summarize the results of some of this work, as reported in this Semiannual Report:

● **Crop Indemnity Overpayments Total \$91 Million**

Loss adjustment errors by both FCIC and reinsured companies adjusting crop loss claims resulted in overpayments totaling \$91 million. Errors were made in determining production, units, yields, shares, and acres.

We recommended that FCIC improve its regulations, initiate legislation to obtain social security numbers to prevent the possibility of dual insurance coverage, and increase its monitoring of those categories of claims most susceptible to error or abuse.

● **One Reinsured Company Withheld Premiums From FCIC**

An investigation disclosed that a reinsured company submitted false documents to FCIC to avoid remitting all insurance premiums it had collected. Outstanding premiums totaled \$12.5 million. The company paid FCIC the amount owed during the investigation.

● **Legislation Needed To Close Property Conversion Loophole in Debt Restructuring Act**

Under existing FmHA regulations governing the debt restructuring program, borrowers could dispose of security property improperly and still qualify for "buyout." "Buyout" allows the borrowers to have their debt written off after buying back the note based on the value of the remaining security property. A weakness in the legislation permits borrowers to buy out their debt regardless of whether or not they acted in good faith. For

example, one borrower improperly disposed of a portion of collateral securing outstanding debt totaling \$160,000. However, since the borrower qualified for the "buyout", FmHA allowed the borrower to "buyout" the debt for about 30 cents on the dollar (a loss to the Government of \$112,000).

We recommended that FmHA seek legislation that would deny "buyout" to anyone who demonstrated a lack of good faith under provisions of the debt restructuring program.

● **OIG Supports Legislation To Correct Capitalization Concept**

We have found that former owners of property acquired by FmHA through foreclosure buy back their property at "capitalization value" (less than market value) and resell it immediately at market value. We have testified previously that this practice causes a decline in land values and causes unnecessary losses to FmHA.

This reporting period, legislation has been proposed that would prohibit borrowers who purchase property at capitalization value from reselling it for a period of 2 years. We support this legislation.

● **Time Limits Could Save \$8.3 Million in Interest Annually**

We found that FmHA could save over \$8.3 million annually if lenders were required to submit estimated loss reports within 90 days of default and that FmHA pay its share of the note based upon that estimate. Currently, interest continues to accrue until a lender submits a final loss report, which has averaged approximately 2.1 years after the default.

● **FAS's Export Enhancement Program (EEP) May Not Meet Program Objectives**

FAS is required to subsidize the sale of U.S. commodities only in those countries where competitors subsidize their exports overtly. Some countries in the program do not show strong competition with U.S. commodities.

We also questioned bonus payments of \$151 million for transportation costs that we believe may not be allowed by legislation, and payments of

another \$89.8 million that resulted from a possible miscalculation of world prices.

- **\$169 Million in Foreign Commodities Improperly Guaranteed by FAS**

Under the GSM 102/103 programs, FAS guaranteed the sales of \$169 million in exports which included commodities of foreign origin. While the primary cause for foreign commodities being included in sales made under the GSM 102/103 programs was exporters' misstatements to FAS, we also identified several areas where FAS could improve its management to prevent these abuses. We found that tobacco companies consistently blended foreign tobacco with domestic tobacco and exported the mixture as "U.S. Origin" tobacco under GSM 102/103 credit guarantees.

- **Drawback of Customs Duties Hurts Domestic Markets**

By allowing GSM refunds of customs duties on imports, FAS permits less expensive foreign commodities to compete against United States commodities in the domestic market.

- **Losses From Payment Limitation Evasions Reached \$66 Million**

Producers receiving ASCS deficiency payments, which should not exceed \$50,000, have reorganized their farming operations to circumvent the \$50,000 limit. In Fiscal Year 1987, many new members of old operations received payments although they were not entitled to them. Projected overpayments totaled about \$66 million.

Abuses in the program continued in 1988, in spite of efforts by the Omnibus Reconciliation Act of

1987 to close loopholes. We have recommended that ASCS improve its review procedures and withhold 1989 payments until final eligibility is determined.

- **18 Indicted in Tobacco Marketing Fraud**

An investigation resulted in the indictment of 18 individuals who were charged with committing various violations of the flue-cured and burley tobacco programs. Of the 18 individuals, 2 were warehouse owners who were charged with falsely identifying tobacco and marketing it by using illegally acquired marketing cards.

- **Bid Rigging Convictions in Electrical Power Plant Construction Contracts**

An investigation led to the conviction of a corporation and its president for a bid rigging scheme to obtain construction contracts financed through an REA loan. The scheme enabled the corporation to obtain a \$21.3 million contract.

- **Timber Theft Remains a Problem in the Pacific Northwest**

We audited the FS's Pacific Northwest Region and found that the Region's controls did not detect or prevent timber theft effectively. From 1986 to 1988, criminal charges were filed in that Region for seven major timber theft cases that cost the Government between \$2.4 and \$5.3 million in stolen timber.

The Region has strengthened its controls to prevent timber theft, but it also needs to increase its Sale Administrator staff, standardize truck checking procedures, track all patterns of suspicious activity, and monitor after-hour log deliveries carefully.

Summary of Audit Activities

Audit Reports Issued

Reports Issued	300
Audits Performed by OIG	220
Audits Performed Under the Single Audit Act	9
Audits Performed by Others	71

Management Decisions Made

Number of Reports	289
Number of Recommendations	949

Dollar Impact (millions)

Management Commitments To Seek Recovery	\$ 21.3 ^{ab}
Management Commitments To Put Funds To Better Use	\$147.9 ^a
Improper Agency Actions	\$0.3 ^c
 Total	 \$169.3

^a These were the amounts upon which the auditees agreed at the time of management decision.

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

^c In this category are monetary amounts identified as having been expended erroneously or improperly due to agency action and for which recovery is not possible. This also includes amounts incurred or earned in good faith by others because they relied on incorrect or improper guidance, interpretations, or directions by agency personnel or instructions. If statistical projections were used in determining the values, the midpoint estimate was used.

Summary of Investigative Activities

Investigative Reports and Cases

Reports Issued	714
Cases Opened	816
Cases Closed	699
Cases Referred for Prosecution	448

Impact of Investigations

Indictments	466
Convictions	289 ^a

Dollar Impact (millions)

Recoveries/Collections	\$18.9 ^b
Restitutions	\$5.9 ^c
Fines	\$1.9 ^d
Cost Avoidance	\$6.2 ^e
Administrative Penalties	\$9.4 ^f

Administrative Sanctions

Employees	48
Businesses/Persons	166

^a These include convictions and pretrial diversions.

^b In this category is all money received by USDA or other Government agencies as a result of OIG investigations.

^c Restitutions are court-ordered repayments of money lost through a crime or program abuse.

^d Fines are court-ordered penalties.

^e This category consists of loans or benefits not granted as the result of an OIG investigation.

^f These penalties consist of formal demands made by an administrative agency for money to be paid to the Government. The demand could be for repayment of an administratively determined fine or penalty. If any of this money is subsequently received by the agency, the actual amount received would be shown under "Recoveries/Collections."

SMALL COMMUNITY AND RURAL DEVELOPMENT

FEDERAL CROP INSURANCE CORPORATION (FCIC)

FCIC is a wholly owned Government corporation created to provide insurance to farmers. The crop insurance program, as reauthorized by the Federal Crop Insurance Act of 1980, makes crop insurance available to farmers. FCIC uses two systems to provide insurance—reinsured companies and master marketers. Reinsured companies, representing approximately 85 percent of the business, are private insurance companies that offer insurance under their own names and are reinsured by FCIC. Master marketers are private insurance companies under contract with FCIC to sell and service crop insurance on behalf of FCIC. In some cases, insurance companies serve as both reinsured companies and master marketers. Reinsured companies adjust their own loss claims while FCIC adjusts the claims on contracts sold by master marketers.

Loss Adjustment Errors Result in Estimated Overpayments Totaling \$91 Million

Because the reinsurance program has expanded to insure new crops and because reinsured companies have handled more of the business, the need for strong and effective oversight by FCIC has also increased. While numerous factors, including the 1988 drought, have had a serious impact on the actuarial soundness of the corporation, errors in the claim adjustment process have contributed substantially to the losses in the crop insurance program.

In 1987, we performed an audit of insurance claims we believed had the highest probability for loss. Of the claims we reviewed, about 69 percent had errors affecting the claims amount. About 50 percent of the indemnities paid to farmers by reinsured companies were excessive, resulting in losses of \$5 million.

In a recent audit, we reviewed claims for the 1988 corn, wheat, and soybean crops. Approximately 70 percent of all indemnities were paid for these crops. Our audit showed that 71 percent of all claims for corn, wheat, and soybeans had one or more errors that affected the claim amount (see figure 1). Of \$716 million paid out in claims, about \$91 million was overpaid (see figure 2). Also, \$1.6 million was underpaid.

Both FCIC and the reinsured companies made errors because agents and adjusters did not follow published

Figure 1

ERRORS AFFECTING CLAIM AMOUNTS

Number of Contracts (In Thousands)

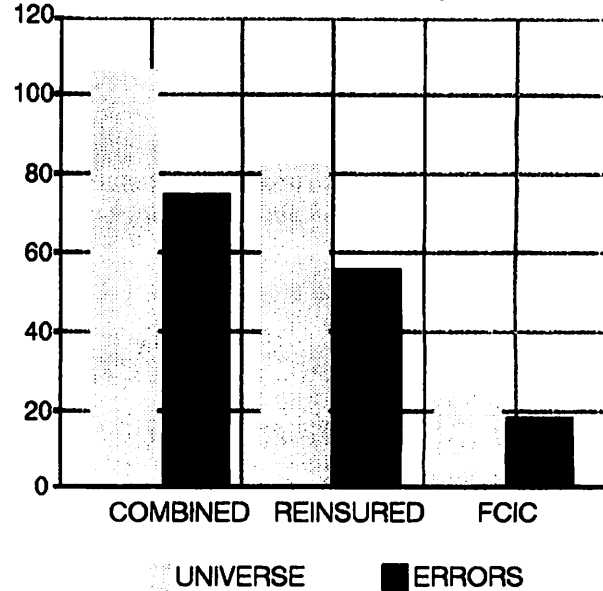
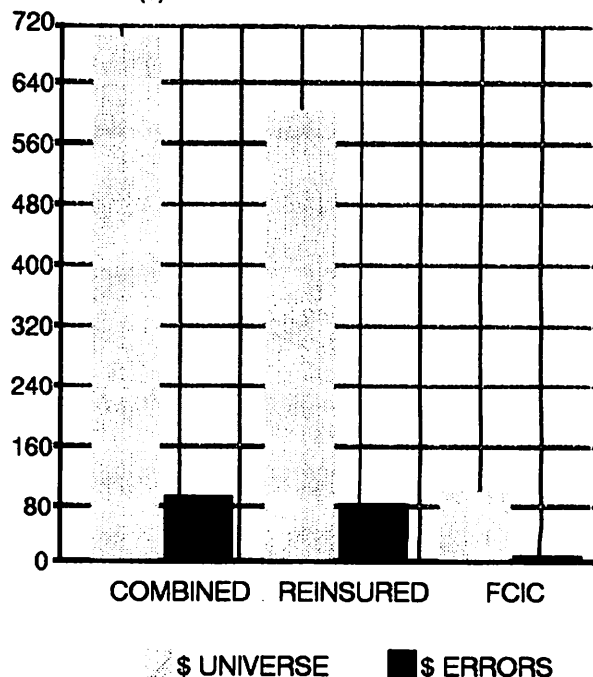


Figure 2

ERRORS BY DELIVERY SYSTEM

In Millions (\$)



regulations, or in some cases because the regulations were not precise. Among the types of errors were the following:

- Adjusters did not verify the actual production information provided by the insureds.
- Adjusters did not determine correctly the insured crop acres.
- Adjusters did not combine units when the insured did not have records to justify the division of units.
- Adjusters did not verify the insured's ownership share in the crop.

While reinsured company adjusters and FCIC adjusters committed the same types of errors when adjusting claims, reinsured companies made fewer errors. However, the monetary impact of reinsured company errors was larger than the impact of FCIC's: 80 percent of the FCIC claims had errors with an average monetary effect of \$624; 68 percent of the reinsured claims had errors with an average monetary effect of \$1,446.

In addition to errors by insurance adjusters, most insured farmers did not maintain records to prove the yield of crops produced in prior years. This is important because prior years' production history supports both the level of insurance guarantee established and the amount of any claim to be paid.

While FCIC has made progress in establishing an effective adjustment program, more improvements are necessary. Of critical importance is the need to further upgrade the compliance unit that provides oversight of the adjustment process. Also, FCIC needs to improve and enforce its regulations, and initiate legislation to require social security numbers to prevent the possibility of dual insurance coverage.

FCIC agreed to issue instructions to loss adjustment personnel stressing the use of third party records, to seek legislative approval to require social security numbers, and update manuals to provide precise and detailed instructions.

The Federal Crop Insurance Commission Act of 1988 mandated the establishment of a commission to study ways to improve the Federal Crop Insurance Program. This commission issued a report to FCIC in April 1989 and recommended changes in the program including the expansion of unit divisions. We concluded from our audit that expanded unit divisions will cause more abuse unless better controls are implemented.

In addition to the claims adjustment problems, we noted three other significant issues with FCIC.

● **One Reinsured Company Found Withholding \$12.5 Million From FCIC**

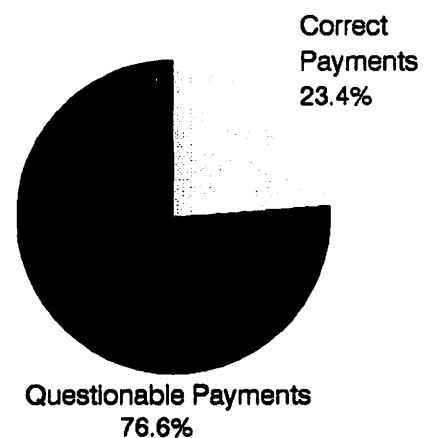
An investigation of a reinsured company disclosed that officers of the company falsified documents submitted to FCIC in order to avoid paying FCIC the insurance premiums collected when they were due. At the time our investigation began, the company had withheld over \$12.5 million in premiums collected. During our investigation, the company paid the money owed to FCIC. Because the company paid the \$12.5 million, the U.S. Department of Justice declined criminal prosecution.

● **Better Controls and Operating Practices Could Result in Substantial Savings on Hybrid Seed Corn**

In 1987, FCIC paid approximately \$4.5 million in indemnities for losses associated with hybrid seed corn. Of this amount, \$2.3 million was attributed to losses in one State. Our review of 12 hybrid seed contracts between growers and seed companies disclosed that 9 of the growers did not have an insurable interest in the production of hybrid seeds. The contracts either involved cash lease agreements that did not provide the growers with control of the insured acreage or provided the seed companies with ownership of the growers' entire hybrid seed production. As a result, we questioned indemnity payments made to these growers that totaled over \$350,000 as shown in figure 3.

Figure 3

GROWERS WITHOUT AN INSURABLE INTEREST IN CROP PRODUCTION



Reinsured companies and master marketers are not required to review contracts between growers and seed companies to verify ownership in the crop. We recommended that FCIC obtain these contracts to evaluate ownership, and revise its policy to disallow insurance for growers who do not have an insurable interest in the crop production.

However, FCIC raised several issues for consideration concerning our findings on grower eligibility. We continue to believe that our findings and conclusions in these areas are valid and that our recommendations are appropriate. We are continuing to work with the agency on these issues.

● **Indictment Obtained for Fraudulent Claims**

A Federal grand jury in Mississippi indicted a husband and wife for the submission of false information to FCIC. The indictment alleged that over a 3-year period the couple understated their wheat and soybean production, which resulted in their obtaining about \$600,000 in crop insurance indemnity payments improperly. Trial is pending.

FARMERS HOME ADMINISTRATION

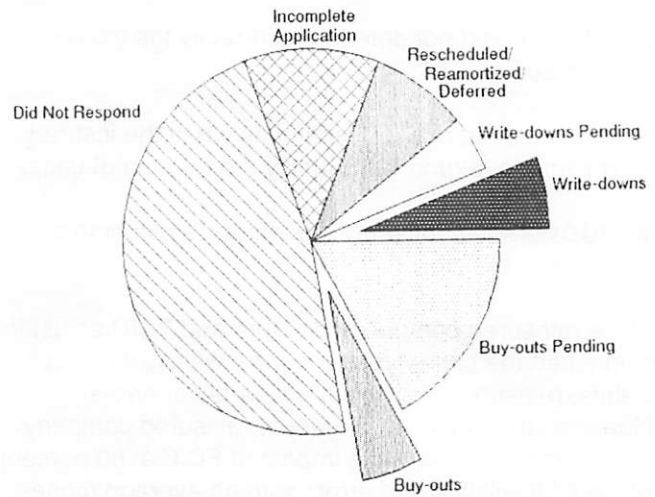
The Farmers Home Administration (FmHA) is the Department's credit agency for rural development and agriculture. As of June 30, 1989, FmHA had over 1.1 million active borrowers and a loan portfolio of over \$59 billion. We placed audit emphasis on FmHA's debt management practices over direct and guaranteed loans.

Debt Restructuring Act

We have continued our monitoring of FmHA's implementation of the debt restructuring provisions of the Agricultural Credit Act of 1987. These provisions will allow many delinquent borrowers to continue their farming operations. FmHA sent notices to almost 66,500 borrowers in November 1988 to apply for debt restructuring. Under debt restructuring, borrowers may qualify to have their debt written down to the current value of their security property or may be allowed to purchase their note from FmHA at that amount. As of July 1989, about 4,000 borrowers qualified for debt writedowns totaling \$665 million, while about 3,500 additional borrowers met requirements to "buy out" their debts totaling over \$700 million and continue their farming operations. Figure 4 reflects the status as of July 1989 for the borrowers who received notices in November 1988. A second mailing of notices was sent to nearly 16,000 newly eligible borrowers in August 1989.

Figure 4

DEBT RESTRUCTURING ACTIVITIES



Property Conversion Could Become a Problem Under Debt Restructuring

We reported that FmHA needed to take immediate action to preclude potential large dollar losses caused by borrower fraud. Under existing FmHA regulations, a borrower can illegally dispose of property securing the loan and still qualify for "buyout," in which the borrower buys out his debt at the current value of security less expenses FmHA would have to pay if it foreclosed and sold the property. Because the "buyout" is computed on only what remains of his security property, the Government loses the value of the property disposed of. For example, one borrower improperly disposed of a portion of collateral securing outstanding debt totaling \$160,000. However, FmHA allowed the borrower to buy out the outstanding debt for \$48,000, and wrote off \$112,000. The "buy out" was computed on security property which excluded the value of the missing collateral, estimated to be \$27,000. In addition, the U.S. Attorney declined prosecution because FmHA allowed the borrower to settle the debt under the "buyout" provisions.

The potential dollar loss could be significant since the processing of the first 10 percent of debt restructuring

transactions resulted in "buyouts" of outstanding debt totaling over \$700 million. Legislation is necessary to close this loophole because the act now permits borrowers to buy out their debt regardless of whether they acted in good faith in fulfilling their obligations. We recommended that FmHA suspend the "buyout" procedures, pending an investigation, when a borrower illegally disposes of collateral and count the missing collateral in the "buyout" computation as if it had been retained when the disposition is substantiated. We also recommended that FmHA seek legislation so that borrowers who demonstrate a lack of good faith are precluded explicitly from benefiting in any of the act's provisions. FmHA agreed to take the corrective actions recommended in our report.

It should be noted that criminal prosecution is a possible way to punish borrowers who illegally dispose of security property. However, the administrative remedies we have recommended should be available to the agency when criminal prosecution is not pursued.

Legislation Is Sought To Correct Capitalization Concept in the Food Security Act of 1985

We previously testified before Congress on the effect that provisions of the Food Security Act of 1985 had on FmHA's disposition of farm properties in inventory. When FmHA acquires farm properties through voluntary conveyance or foreclosure, it may resell them to former owners under a preference established in the act, or it may sell them to third parties if the former owners do not exercise their preference. Properties sold to third parties are offered at market value; properties sold to former owners are offered at the lower of market value or "capitalization value." Capitalization value is based on the estimated income-producing capability of the operation and may be less than the market value (determined through comparable sales).

In our congressional testimony, we noted that the sale of farm properties at their capitalization value, when below market value, was inconsistent with program objectives. Prior audits had determined that such sales may have caused land values to drop and caused unnecessary losses to FmHA. For example, our review in one State disclosed that 14 of 20 farms in inventory in one county had a lower capitalization value than the recommended market price. In another county we noted a farm's recommended market value was \$85,000; however, the capitalization value was \$73,364, and the farm was sold for \$73,364 to the previous owner.

During a current audit, we found that properties acquired at their capitalization values by the former owners had been resold at market value. In these

cases, the capitalization value was less than market value. If FmHA had sold the properties directly to the third parties, it could have realized the market value of the properties and not provided a means by which non-program participants could acquire property at less than market prices.

Legislation has been proposed that would prohibit borrowers who reacquire farm property under a preference from disposing of it for a period of 2 years. We support this legislation and believe it will significantly limit the incentive to participate in the type of program abuse we noted in our congressional testimony.

Community Program (CP) Graduation Reviews Based on Questionable Data

Loans are made to public bodies and not-for-profit organizations in rural areas to finance water and waste disposal facilities and for community facilities, such as hospitals or fire stations. These borrowers, overall, are financially strong, as shown by the portfolio's delinquency rate of only 2 percent. FmHA District Directors are to evaluate CP borrowers' financial condition and request those borrowers who appear financially able to refinance their loans with private credit sources. This process is referred to as "graduation."

We evaluated the FY 1988 graduation reviews of 131 borrowers with 253 loans in 4 States with outstanding balances totaling \$59.4 million. We questioned the graduation decisions for 50 borrowers with 92 loans totaling almost \$19 million (38 percent of the borrowers reviewed). District Office graduation reviews were not always based on a review of borrowers' current financial information, and surveys of private lenders' refinancing criteria were not sufficient to determine if the borrower could qualify for private credit.

National and State Office controls over the graduation review process were also ineffective. The National review guide did not require reviewers to evaluate District Office decisions not to graduate loans, and State guides did not include a review of the graduation process. FmHA had no assurance that the CP graduation review process was performed effectively or properly. As a result, borrowers who may have been able to graduate may not have been identified.

FmHA officials agreed that controls over CP loan graduation needed strengthening. FmHA officials have advised us that a review worksheet has been developed for use by District Offices in reviewing a borrower's ability to graduate to other credit sources and to revise the National and State guides to evaluate District Office decisions not to graduate loans.

Time Limits Could Save \$8.3 Million in Interest Annually on Delinquent Guaranteed Loans

FmHA provides financial assistance to borrowers by guaranteeing loans made by most commercial lenders. FmHA reimburses the lender for the agreed-upon percent of principal plus accrued interest whenever the lender sustains a loss. Currently, interest continues to accrue on the borrower's unpaid principal until the lender submits a final loss report. Regulations did not specify how soon after the borrower defaults that the lenders must submit final loss reports. We recommended that FmHA require lenders to file estimated loss reports within 90 days of default and that FmHA pay its share of the note based upon that estimate. FmHA could save over \$8.3 million annually by avoiding unnecessary interest charges on defaulted guaranteed loans by paying on the estimated loss reports.

Our analysis of FmHA records for Farmer Program, Emergency Livestock, Rural Housing, Business and Industry, and Economic Emergency guaranteed loans identified 284 loans totaling over \$117.5 million that were delinquent over 90 days as of February 24, 1989. The extent of delinquency ranged from 3.3 months to 9.2 years and averaged 2.1 years. Figure 5 illustrates the extent of delinquencies for the 284 loans:

As of February 24, 1989, lenders accrued almost \$23,000 daily on loans that were delinquent more than 90 days. Due to the certainty of FmHA reimbursement and the relatively high interest rates involved, lenders had no incentive to submit loss reports in a timely manner.

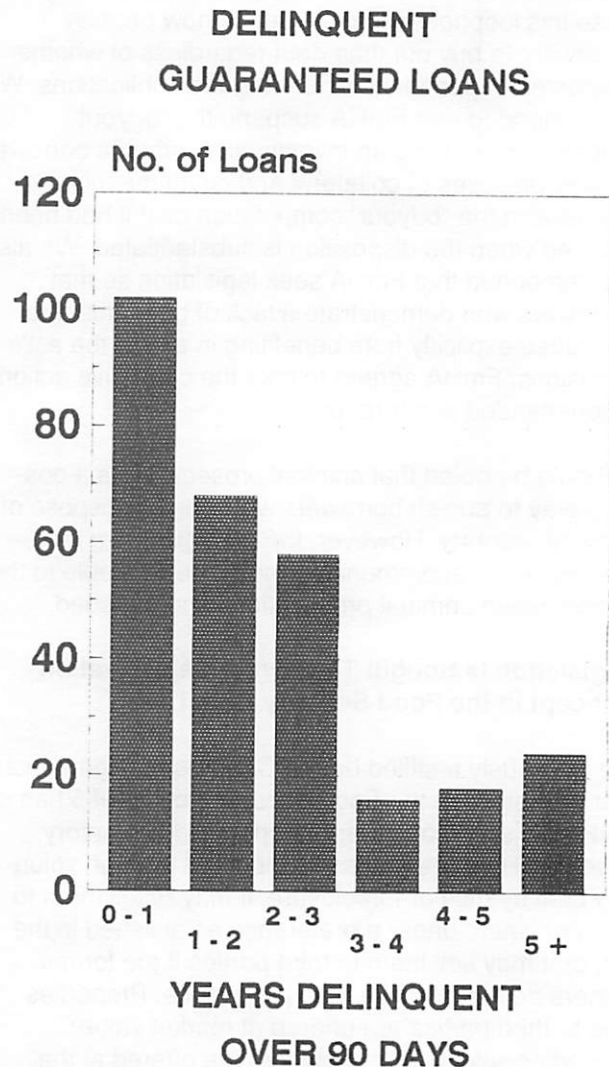
FmHA amended its Farmer Program regulations to require that lenders submit an estimated loss claim if it appears the liquidation period will exceed 90 days. To eliminate excessive interest accruals on defaulted guaranteed loans, we recommended that Business and Industry, Economic Emergency, and Rural Housing guaranteed loan regulations be amended to require that lenders submit estimated loss claims if it appears the liquidation period will exceed 90 days.

FmHA agreed that guaranteed loan interest accrual on a delinquent loan should be limited to a specified timeframe. FmHA plans to propose regulatory changes to limit interest accrual on all types of delinquent guaranteed loans.

Fraud Found in Rural Rental Housing (RRH) Program

In Tennessee, an RRH developer and a subcontractor pled guilty to diverting more than \$237,000 in FmHA RRH loan proceeds in order to build a private apart-

Figure 5



ment complex. The developer was sentenced to 1 year in prison, fined \$50,000, and placed on 3 years' probation. The subcontractor was sentenced to 1 year in prison, fined \$10,000, and placed on 3 years' probation. The court also ordered the developer to sell the complex and remit the proceeds to FmHA as partial restitution for the diverted loan funds.

Controls Do Not Ensure Prompt Loan Processing

The Food Security Act of 1985 (Act) requires that: (1) applicants of farm loans be notified of incomplete applications within 20 days after receipt of such applications; (2) farm loans be approved or disapproved and applicants notified not later than 60 days after receipt of complete applications; and (3) loan funds, if available, be provided not later than 15 days after loan approvals. Applicants are to be notified of adverse decisions not later than 10 days after such decisions are made.

In 1987, we reviewed FmHA's adherence to these timeframes, and found that FmHA's controls did not ensure prompt processing of applications and appeals. On November 4, 1987, OIG testified before the Subcommittee on Government Information, Justice and Agriculture of the House Committee on Government Operations and agreed to assess FmHA's processing time during a period of high demand. Our recent audit found that although FmHA had established additional controls, FmHA employees were still not meeting the timeframes, or left off key dates on loan processing documents, making it impossible to determine if timeframes were met.

In response to our 1987 audit, FmHA issued Administrative Notice No. 1668 which requires county office employees to list the completed application dates on the application and processing cards. However, we found that the completed application dates were not documented or were incorrect. District Directors had generally not documented any compliance reviews of these provisions, and FmHA internal reviews had not tested these compliance items.

A summary of compliance with Administrative Notice No. 1668 is depicted in figure 6.

Our review disclosed variances among State and county offices in the interpretation of definitions for completed applications. Existing instructions defined completed applications as those for which all information necessary to determine eligibility had been received. We found that State officials required between 5 and 10 different forms for a complete application and that no 2 States were alike. In addition, none of the county officials said they obtained all of the information required by their respective State officials.

On October 14, 1988, FmHA published a new instruction which redefined the completed application. We believe this new definition is clearer and more comprehensive than the definition in effect during our review period.

We recommended that FmHA improve its controls by revising its internal reviews to monitor county office compliance with the promptness standards of the Act and the provisions contained in its Administrative Notice. FmHA agreed with the results reported and agreed to take action to improve controls to assure that established timeframes are met.

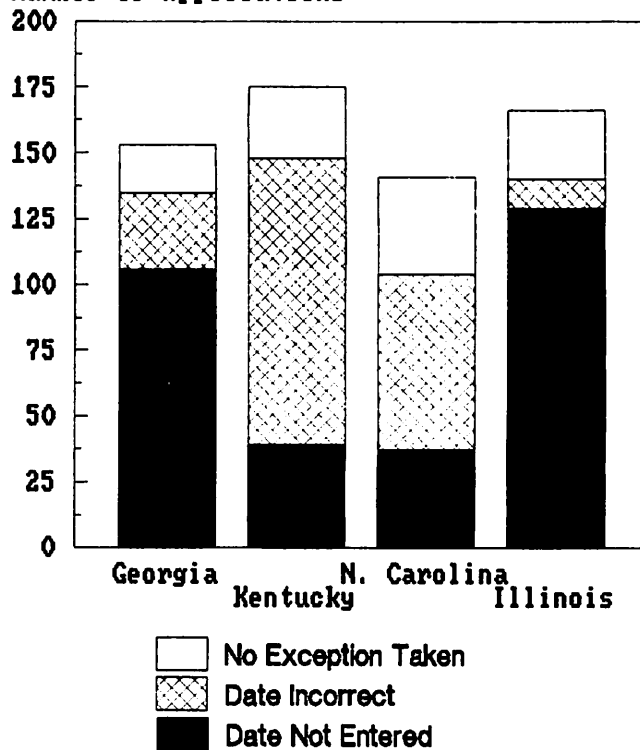
Improper Farming of FmHA Inventory Property Cost Government \$1.2 Million

Current controls do not prevent farmers without leases from using FmHA inventory farm property and obtain-

Figure 6

Compliance with AN No. 1668

Number of Applications



ing ineligible ASCS and FCIC program benefits. Lost rental income, improper ASCS and FCIC payments, and improper ASCS loans found during our audit totaled about \$1.2 million.

We reviewed 452 FmHA inventory properties in 6 States and found that 29 properties were farmed or enrolled in ASCS programs by persons without leases. We estimated that FmHA lost rental income totaling about \$500,000 by trespassers on 25 properties. We also found that 16 properties were enrolled in ASCS programs, resulting in ineligible program payments and loans totaling about \$600,000. In addition, we found that 20 unleased properties were listed on current FCIC computer records of crop insurance policies. One of these cases received improper indemnity payments totaling about \$54,000.

In 8 of the 16 cases with improper ASCS payments, FmHA did not inform ASCS of the property acquisition. In the other 8 cases, ASCS did not require a copy of a lease from program participants even though records showed FmHA owned the property. FCIC generally does not require evidence of land ownership or lessee interest before insuring or paying losses to producers.

We made recommendations that FmHA consistently inform ASCS of property acquisitions, that ASCS properly record FmHA ownership of property, and that ASCS and FCIC require copies of written leases before enrolling or paying benefits on Government-owned land.

We also found that FmHA needed more effective means to remove trespassers. FmHA was aware of the trespass in 19 of 25 cases, but could not promptly evict trespassers because of lengthy procedures, including notifications to State offices and the Office of the General Counsel (OGC). FmHA agreed with our recommendation to consult with OGC and develop alternative procedures for using local law enforcement agencies, courts, and attorneys to evict trespassers promptly.

Additionally, we found no instances where FmHA attempted to establish an interest in existing crops or obtain rental income from producers in the year the agency acquired the property. OGC advised that by virtue of a landlord's lien, FmHA has a legal interest in crops that are present when a property is acquired. FmHA concurred with our recommendation to develop policy and provide guidance to field offices for handling crops present on acquired property.

The agencies have taken action on most of our recommendations, except that ASCS has been unwilling to seek recovery of the improper ASCS program payments. We continue to work with the agencies on this issue.

Data Base Analyses Could Result in Interest Savings

Through more effective use of its management information system, FmHA could manage and administer its program and financial operations better. We performed analyses of FmHA's data base and conducted followup reviews at 30 county offices. We identified 3 problem areas: (a) supervised bank accounts contained excessive funds, (b) interest rates were assigned incorrectly, and (c) IRS offset provisions were not always used to apply refunds to loan delinquency amounts. We recommended that FmHA use its management information system more effectively to identify potential problems and take appropriate corrective actions.

We estimate that if FmHA managers had used the automated resources available to them more effectively, over \$1 million in interest could have been saved. Furthermore, if FmHA had fully used the IRS offset provisions, it could have collected additional monies on loan delinquencies in the 30 county offices we reviewed. The overall monetary impact of our

findings would be substantial when multiplied by the 1,900 county offices FmHA has nationwide.

Improper Lender Servicing Actions of Business and Industry (B&I) Loans Contribute to Dollar Losses

- We reviewed the loan files of a wood products company that declared bankruptcy 5 months after receiving a \$5.8 million B&I loan. FmHA's approval was contingent upon the borrower having a minimum of 11 percent equity in tangible (physical) assets. The lender reported to FmHA that the borrower's equity exceeded 12 percent, but our audit revealed that the lender had included intangible assets in its report, and that the borrower's net tangible assets were actually less than 10 percent. Therefore, the FmHA guarantee was obtained improperly. Also, the lender reduced the security for the loan by releasing a \$1.7 million personal guarantee from an individual with a net worth of over \$7 million, thus reducing the amount of security and increasing FmHA's exposure to loss, in the case of default. We recommended that should the lender file a loss claim, the Office of the General Counsel (OGC) be requested to review the reported instances of noncompliance and determine the extent of enforceability of the Loan Note Guarantee. FmHA concurred with our recommendation. The loss report had not been filed as of September 30, 1989.
- Another audit of a \$3.4 million B&I loan that carried an 85-percent guarantee disclosed that the liquidation was improperly processed. The lender's list of collateral the borrower had on hand at liquidation did not include \$3 million in assets. Prior to liquidation, FmHA approved the sale of the borrower's facility (and loan note) to an affiliated company for \$850,000. The borrower had also disposed of additional collateral without notifying FmHA or the lender. Accordingly, FmHA incurred a loss of more than \$4 million (including accrued interest). FmHA agreed with our recommendation that this case also be referred to OGC for legal review regarding the propriety of the lender's actions.

Fines and Prison for Builder Who Falsified Water Tests for Rural Housing Project

Legal action has been completed against a New Jersey businessman and his construction company for falsifying well water test results for rural single-family houses. Prior to sentencing, the Federal prosecutor advised the court that the drinking water at some of the houses contained unacceptable levels of contaminants

and that some of the homeowners became physically ill as a result of drinking the water. The businessman was sentenced to 6 months in prison, fined \$5,000, placed on 5 years' probation, ordered to pay \$3,770 to FmHA for the cost of retesting the water during our investigation, and ordered to install water purification and filtration systems in all 58 houses which were found to contain contaminated water. In addition, the construction company was fined \$40,000.

Conversion of FmHA Loan Collateral

- In West Virginia, OIG investigated officials of two medical facilities to determine if they converted \$3.6 million of collateral securing an FmHA loan and \$1.7 million of collateral securing an Economic Development Administration (EDA) loan. As a result of the investigation, which was assisted by auditors from the U.S. Department of Commerce, the U.S. Department of Justice filed a \$5 million civil suit against the two medical facilities. The suit shows an outstanding debt of \$3.3 million to FmHA and \$1.7 million to EDA. Civil trial is pending.
- A California auctioneer was indicted by a Federal grand jury for fraud in connection with his sale of assets mortgaged to FmHA. The indictment alleged that the auctioneer illegally diverted to his own use approximately \$21,000 in proceeds from an unauthorized sale of farm equipment instead of paying the trustee and creditors of a bankrupt estate. The farm equipment was collateral for FmHA loans. Trial is pending.
- In Maryland, a farmer was sentenced to serve a year and a day in Federal prison and ordered to make restitution of \$117,000 to the Government after he pled guilty to defrauding FmHA by converting 18,000 bushels of soybeans valued at \$98,270. The farmer maintained one of the largest farm operations in Maryland, leasing approximately 2,500 acres of farmland. The farmer received a total of \$390,000 in emergency and operating loans from FmHA.

Loan Funds Diverted for Improper Purposes

An Oregon farmer was sentenced to 6 months in prison, placed on 5 years' probation, and ordered to pay \$73,850 in restitution after he pled guilty to providing false statements to FmHA. In his application for a \$130,000 loan from FmHA, the farmer falsely stated that the money was to be used for farming purposes. The farmer subsequently used the money to purchase a house, to benefit his trucking firm, and to enhance other nonfarming ventures. As part of his sentence, the

farmer was ordered to sign over to the Government a deed of trust for the house to secure payment of his restitution.

RURAL ELECTRIFICATION ADMINISTRATION

The Rural Electrification Administration (REA) makes or guarantees loans to rural electric and telephone utilities. As of June 30, 1989, REA had about 2,200 active telephone and electric borrowers with outstanding revolving fund loans of \$16.7 billion, telephone bank loans of \$1.5 billion, and loan guarantees of \$27.7 billion.

Irregularities Noted in Operations of a Former REA Official's Company

REA requested us to audit a telephone company because of questionable financial transactions. Our audit disclosed that the company, which had an outstanding loan totaling about \$930,000, violated the covenants of its mortgage by: (1) paying the company's vice president (the spouse of the president) about \$122,000 for unsubstantiated purchases of investments in stock whose title was never transferred to the company; and (2) not maintaining adequate documentation to support highly questionable executive expenditures totaling about \$170,000. In response to an OIG subpoena, the president of the company signed a certificate of compliance that the documentation we requested did not exist. The president is a former high-level REA official who has also not cooperated in providing CPA audits of the company's operations. We recommended REA request reimbursement for all questionable or unsupported transactions. In response, the agency agreed and also indicated it would provide the Internal Revenue Service with a copy of our audit report for its examination.

Bid Rigging Convictions in Electrical Power Plant Construction Contracts

In Louisiana, a corporation was fined \$1 million and its president was sentenced to 6 months in prison, placed on 5 years' probation, and fined \$103,000 after both were convicted of antitrust violations and mail fraud in connection with a bid-rigging scheme. The convictions resulted from an investigation that disclosed that various individuals and electrical contracting companies conspired to rig bids for power plant construction contracts that were being financed through a loan guaranteed by REA. The conspiracy allowed one company to submit the lowest bid and be awarded a \$21.3 million contract to perform electrical work; the other companies then received lucrative subcontracts in exchange for their participation in the conspiracy.

INTERNATIONAL AFFAIRS AND COMMODITY PROGRAMS

FOREIGN AGRICULTURAL SERVICE (FAS)

Export Enhancement Program Needs To Be Assessed for Effectiveness

The Export Enhancement Program (EEP) was established by the Secretary in May 1985, and subsequently included in the 1985 Farm Bill, to bolster declining markets for U.S. agricultural exports. Under the EEP, subsidies are provided to U.S. exporters in the form of certificates which can be exchanged for Commodity Credit Corporation (CCC) commodities. These bonus payments enable U.S. exporters to sell at reduced prices, competitive with those offered by foreign exporters, particularly the European Economic Community. The EEP is not intended to undercut world market prices but to compete with countries that subsidize commodity exports.

Under the Economic Policy Council's criteria, the EEP must (1) target countries where competitors subsidize their exports overtly, (2) increase U.S. exporter sales in the targeted countries, (3) be cost effective, and (4) not require new funding (i.e., be "budget neutral").

Our audit indicated that FAS's targeting strategy was not supported. FAS had no written procedures by which to identify countries or commodities that should be included in the program. Some of the countries included in the program did not show a strong competitive market between U.S. and European commodities.

The Department recently completed two studies which assessed the overall impact of the EEP on wheat exports. These studies estimated that exports have risen 20 to 30 percent as a result of EEP. However, our audit disclosed that FAS needed to conduct an overall program analysis of the EEP to determine if it was meeting program objectives. We recommended that FAS include such factors as commodity and country targeting activities, relationship of U.S. exports to other countries' exports, overall effects of reduced U.S. inventory, and total costs for increased market shares.

Concerning other cost factors, we had three specific concerns:

- FAS paid bonuses of \$151 million to offset the differences between U.S. shipping costs and those incurred by the European community for similar commodities. It is not clear that the legislation

allows this, and we recommended that FAS obtain an OGC opinion before paying these bonuses.

- Bonuses paid for wheat since the beginning of the program could have been overstated by up to \$89.8 million because the world price FAS used in its bonus calculation, according to program files, was up to \$2 per metric ton less than the actual world price. Bonuses were overstated by another \$24.9 million for incidental costs for shipments to four countries. FAS, however, did not maintain sufficient documentation to show exactly how it determined world market prices.
- Participating U.S. exporters did not always maintain adequate program records or provide access to nonprogram information. As a result, we could not determine the appropriateness of bonuses awarded under the EEP.

We also found that bid assistance provided by FAS created the appearance of partiality in the bidding process. Through the bidding process, FAS selects exporters to participate in the program according to their bid for bonus payments. We noted nine instances where FAS had suggested a bid price. We recommended that FAS evaluate the bid assistance provided to certain bidders, and ensure that program integrity in the bidding process is maintained both in appearance and practice.

During our review, FAS began to make changes to enhance overall program accountability. FAS has moved to implement a number of our recommendations concerning: (1) program effectiveness, (2) criteria for program operations, (3) policies and guidelines for bonus calculations, and (4) the bidding process.

Dairy Cattle Export Bonuses Under EEP Excessive by \$18 Million

FAS paid bonuses for dairy cattle exports before obtaining realistic data on exporting costs. Consequently, FAS paid over \$18 million more than would now be recommended by the USDA's Dairy Industry Task Force for the export of dairy cattle under the EEP. Bonuses awarded for the three exporters we reviewed ranged from \$1,090 to \$1,870 per head. If FAS had used bonus levels currently recommended by the Task Force, it would have approved bonuses ranging only from \$500 to \$900. FAS officials stated that the early

exports were for registered cattle, which cost more than the recent exports of mostly grade cattle, and bonuses were approved to cover the additional costs incurred for exports made by air rather than by sea.

FAS instructions require that sales contracts exist between exporters and importers before exporters initiate agreements with FAS. However, these instructions did not set forth the elements necessary for a valid sales contract. In addition, FAS did not require exporters to submit proof of the sales contracts. This has resulted in a disagreement in one case as to whether the dairy cattle exporter had sales contracts with importers prior to entering into six agreements with FAS. Bonuses totaling more than \$10 million were approved for the six agreements of this one exporter.

With respect to dairy cattle, FAS had not anticipated all of the complex problems of shipping cattle into markets which previously had not imported cattle from the United States. We are working with FAS to reach agreement on these issues.

\$169 Million in Foreign Commodities Were Exported Improperly Under GSM 102/103

FAS's Export Credit Guarantee Program guarantees repayment of credit extended to eligible foreign buyers of U.S. commodities. Credit may be extended for up to 3 years (GSM-102) or up to 10 years (GSM-103). The principal objective of the Export Credit Guarantee Program is to maintain or expand export markets for U.S. agricultural commodities. Commodities of foreign origin are therefore not eligible for guarantee under the program.

Our audit found that FAS controls did not prevent the sales of non-U.S. agricultural commodities under GSM 102/103. Exporters had included foreign agricultural commodities in 5 of the 11 commodities reviewed: beef cattle, planting seeds, soft drink concentrates, tobacco, and wood pulp. Out of the \$1.1 billion of commodities audited for FY 1988 (see figure 7), FAS had guaranteed loans with a value of at least \$169.2 million for export sales containing foreign agricultural commodities. Figure 8 shows the questionable amount of sales guarantees containing foreign commodities.

The main cause for foreign commodities being included in the GSM 102/103 sales guarantees was exporters' misstatements. Some exporters declared that 100 percent of the commodities they were exporting under GSM 102/103 sales were of "U.S. Origin," when a portion of those commodities was foreign. Some exporters knowingly made these misstatements while others were apparently unaware that a portion was of foreign origin. The major problem was with

Figure 7

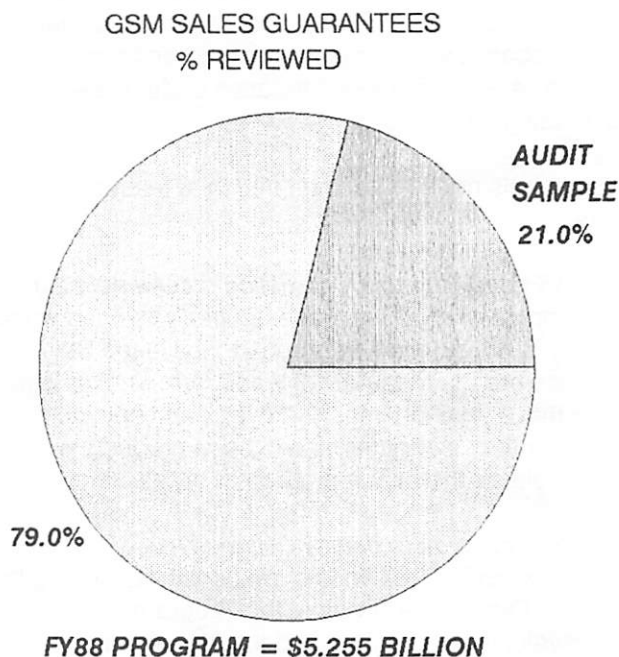
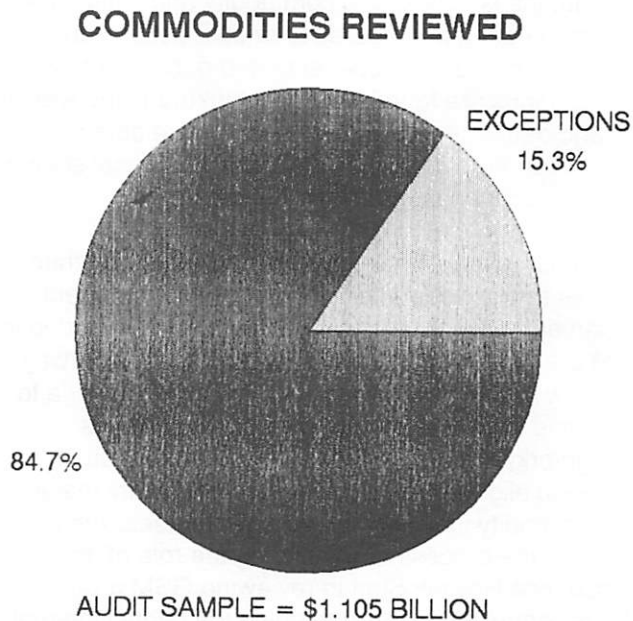


Figure 8



tobacco. Of the \$169 million, \$141 million of the loan guarantees were for tobacco shipments which contained from 25 to over 80 percent foreign tobacco. We found that tobacco companies consistently blended foreign tobacco with domestic tobacco and exported the mixture as "U.S. Origin" tobacco under GSM 102/103 credit guarantees.

FAS controls need to be improved in at least three areas:

- (1) *FAS needs to improve existing criteria defining commodity eligibility.* For example, we found wood pulp products manufactured in the United States that were made largely of wood from foreign logs or that contained imported dyes and chemicals. FAS needed to determine if these products were eligible for the export program.
- (2) *FAS needs more clearly defined lines of responsibility.* The lines of responsibility among the CCC Operations Division, the Program Development Division, and the Marketing Programs staff were unclear. This caused conflicting decisions on commodity eligibility within FAS.
- (3) *FAS needs to establish a review system and an enforcement measure to ensure exporter compliance.* Program integrity was left to the export industry, and industry recordkeeping did not facilitate review of information regarding purchases, sales, and commodity origination. FAS also needed procedures to ensure actions are taken, including suspension and debarment, when violations are found. FAS was unsure if suspension and debarment could be used, but we obtained an opinion from the Office of General Counsel stating that such measures could be used.

During our review, FAS initiated action to strengthen controls and provide additional guidance to prevent foreign agricultural commodities from being included in GSM programs. FAS currently has a study underway to review and evaluate commodity eligibility criteria to determine if the use of non-agricultural products (foreign origin) in the processing of, or inclusion in, an otherwise eligible U.S. agricultural commodity makes the commodity ineligible for loan guarantees. Also, FAS is in the process of enhancing the role of its Compliance Review Staff in reviewing GSM programs. FAS is committed to strengthening the overall internal controls in the GSM programs.

GSM programs can also encourage the importation of foreign commodities into the U.S. market through a process called "drawbacks." Under the drawbacks

process, commodities exported under GSM programs are used to obtain refunds of customs import duties. Thus, the GSM program allows less expensive foreign commodities to displace U.S. commodities in our domestic markets. There is proposed legislation that would disallow drawback credit to exporters for commodities exported under any Government program. Because the rights to drawbacks can be transferred (i.e., from an exporter to a supplier), FAS should ensure the proposed legislation contains a provision to disallow any transfer of drawbacks.

The exporters generally did not maintain adequate documentation in their GSM files to support commodity origin or the reasonableness of the selling price. Therefore, we were unable in most cases to determine if commodities exported under the GSM programs were U.S. origin. Also, the exporters restricted our record reviews only to GSM sales transactions, so we were unable to determine if profit margins on those transactions (which ranged up to 420 percent) were comparable to the profit margins on their non-GSM commercial sales.

FAS believes that the Government should not intervene in the affairs of the private sector when determining whether a selling price for commodities exported under the GSM 102/103 program is within reason.

We continue to believe that Government access to non-GSM commercial sales data is important in order to identify potential program abuse such as kickbacks, rebates, after sales service fees, and windfall profits. We also question whether the program objective of expanding markets for U.S. commodities is being achieved if the cost of those commodities is higher to program participants than to outside buyers. We are working with FAS to reach agreement on recommendations concerning access to exporters' records and price review.

\$5 Million Settlement in Sugar Reexport Fraud

"Operation Bittersweet," a joint investigation by OIG and the U.S. Customs Service into the diversion of nonquota sugar into the U.S. domestic market, has continued to yield significant results. The most recent investigative activity disclosed that a New York corporation improperly diverted sugar into the U.S. domestic market and that the company submitted documents which falsely stated that the sugar was exported in support of certain drawback claims filed by the corporation. The corporation, while denying that it knowingly submitted any false documents, has entered into a Settlement Agreement with the U.S. Department of Justice, the U.S. Customs Service, and USDA, in which it has agreed to pay \$5.8 million.

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

The Agricultural Stabilization and Conservation Service (ASCS) administers farm commodity, conservation, environmental protection, and emergency programs. These programs provide for commodity loans and price support payments to farmers; commodity purchases from farmers and processors; acreage reduction; cropland set-aside and other means of production adjustment; conservation cost-sharing; and emergency assistance. Financing for ASCS commodity programs comes through the Commodity Credit Corporation (CCC), a Government entity for which ASCS provides operating personnel.

Fiscal Year (FY) 1989 outlays for ASCS are estimated at \$1.6 billion for the traditional conservation programs and the Conservation Reserve Program. All other ASCS operations are funded by CCC, with estimated outlays of \$10.6 billion, including \$3.6 billion for crop disaster payments and \$607 million for other disaster assistance programs.

PRODUCTION ADJUSTMENT PROGRAMS

Farm Reorganizations To Circumvent Payment Limitations Result in Losses to USDA of About \$66 Million

Under production adjustment programs, the total amount of deficiency and diversion payments which can be made to an eligible person is limited to \$50,000. A "person" for payment limitation purposes can be an individual, joint stock company, corporation, association, trust, or other legal entity.

Prior audits have shown that as large producers reached the \$50,000 limit, they reorganized their operations in order to qualify for additional "persons" and thereby maximize program payments. In 1987, ASCS made payments of over \$840 million to 227,561 producers who did not receive payments in 1986. We identified 16,049 producers who received about 30 percent of the payments. From our audit of these payments, we statistically projected that 1,832 producers were not entitled to \$66 million in payments because the entities receiving the payments were not separate and distinct operations.

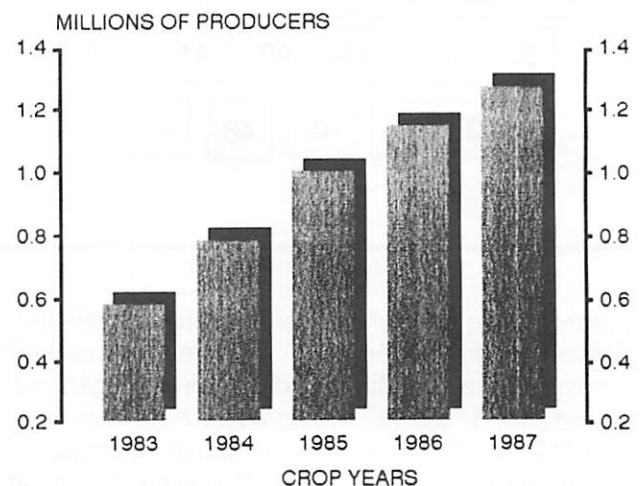
While the Omnibus Reconciliation Act of 1987 closed some of the past loopholes, producers who reach the payment limit continue to reorganize their operations and create additional entities. The 1987 changes, which are effective for the 1989 and 1990 crop years, required individuals to be "actively engaged" in farming and limited 1989 payments for any "person" to three permitted entities.

Thus, the 1987 changes have only served to increase the number of reorganizations (and thereby increase ASCS's workload) without reducing total program payments. During the period 1983-87, the number of producers paid under ASCS programs increased from 590,000 to 1.26 million. Payments will merely be assigned to a larger number of individuals or entities.

Many large operations, which otherwise would have received reduced payments, reorganized by selling or giving stock in existing entities to new individuals or other individuals who had an interest in less than three entities, and by creating irrevocable trusts. ASCS rules assisted producers in these reorganizations by requiring that only 50 percent of the corporate stockholders provide labor or management for the organization to be considered "actively engaged." Therefore, these corporations could qualify for payment even though they had passive stockholders. Our findings indicated that, for the most part, a payment limit did not exist for total program payments. In one instance, 51 irrevocable trusts were created in 1989 so as not to reduce payments. Figure 9 illustrates the growth in the number of producers receiving payments.

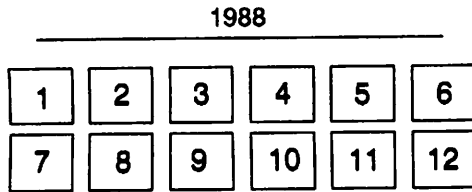
Figure 9

PRODUCERS RECEIVING PAYMENTS



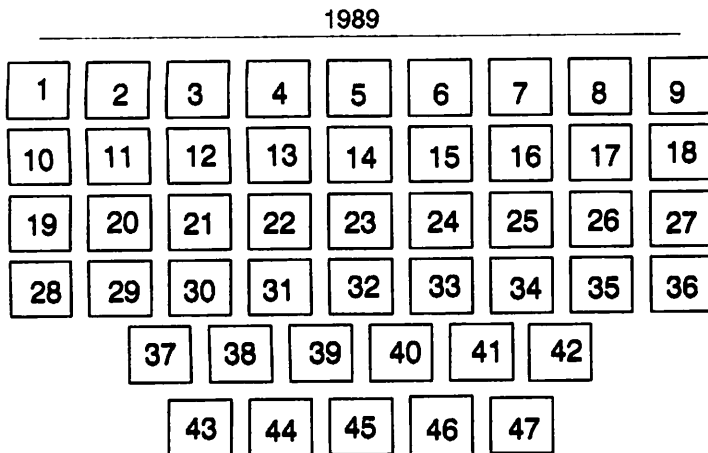
For Crop Year 1988, three intermingled joint operations consisting of 12 owners (11 individuals and 1 corporation) received \$1.69 million in total deficiency and diversion payments subject to payment limitation provisions. Figure 10 illustrates how this farm was organized for 1988.

Figure 10



For Crop Year 1989, these 3 operations reorganized on paper under the provisions of the Omnibus Budget Reconciliation Act, into 47 owners (7 individual, 1 corporation, and 39 beneficiaries of the trusts). Figure 11 illustrates how this farm was organized for 1989.

Figure 11



By reorganizing the owners were able to maintain the maximum program benefits and receive \$1.43 million in payments. If the operations had not been reorganized for Crop Year 1989, the owners would have received only \$666,000. Since the new law allows equitable reorganizations such as this one, the owners obtained an additional \$765,000 in payments.

While we will continue to evaluate compliance with the new rules, we recommended that ASCS perform a cost benefit analysis to determine whether the payment limitation provisions should be continued, or if a change in legislation is required.

Other audits we performed corroborated the importance of the continuing need for strong review procedures.

- An individual used relatives, employees, and business associates to participate as separate "persons" (at least 21 in 1986 and 29 in 1987) to evade the maximum payment limitation provisions. Questioned program benefits total about \$2.8 million for 1986 and 1987, with additional improper benefits for 1988 and 1989 pending ASCS reviews.
- Our review of the Conservation Reserve Program (CRP) disclosed six producers who did not meet the payment limitation requirements. In one case, the stockholder and the financial institutions he controlled were not combined as one "person" for payment limitation purposes. In the other cases, the producers did not meet the ownership or operator requirements for program participation. As a result, the producers have been overpaid by at least \$205,000 and were scheduled for additional payments of over \$660,000.
- A corporation avoided the payment limitation through unusual lease agreements. For 1988, the corporation, which was already receiving \$50,000 in Production Adjustment payments, leased 14 of its farms to other producers, with the stipulation that it receive only a nonprogram crop (soybeans) as its share of the farms' production. Customarily, share leases involve a share in all crops, both program and nonprogram. In this case, the landlord collected 100 percent of the proceeds from the soybeans, which according to the leases had to be the majority crop. Through the lease arrangement, the corporation received compensation at least equal to a customary share lease, even though none of the ASCS payments on the leased farms were attributed to the corporation. The leases had not been submitted to the State or National Office for a determination as to whether they circumvented payment limitation provisions. Without a determination, the corporation may receive indirectly the benefit of program payments, which are subject to the limitation. The payments totaled about \$90,000 for 1988.
- ASCS had not developed procedures to control CRP payments to individuals or entities with multiple county farming interests. In one State, we found three banks (one "person" for payment limitation purposes) that had been approved for six CRP contracts providing for annual payments of about \$52,000. ASCS was not aware of this because the land was located in four counties, and the land under two of the contracts was sold and the contracts transferred before annual payments were made. In another case, ASCS incurred costs of more than \$12,000 for completed conservation

practices on contracts that were later cancelled because the entity, with multiple county farming interests, was found to have entered into original contracts in excess of \$50,000.

We are continuing to work with the agency as they consider possible corrective actions. Specifically, ASCS needs to withhold any further 1989 payments until final eligibility determinations are completed, and improve review procedures for unusual lease arrangements and multiple farming interests. We are also obtaining additional information from field offices to identify other cases of payment limitation abuse.

Producers Sentenced for Evading Payment Limitation Provisions

- A partner in a southeast Missouri farming partnership was sentenced to 30 months in prison and fined \$10,000 for providing false information to ASCS in order to evade the \$50,000 per year payment limitation. The partnership improperly obtained farm program payments and CCC loans totaling approximately \$717,000. The partners evaded the payment limitation by using employees and associates to conceal their interest in various farming operations.
- A Wisconsin farmer was sentenced to 6 months in prison, fined \$5,000, and placed on 3 years' probation after he pled guilty to conspiring to make a false statement to CCC in order to evade the \$50,000 payment limitation. The farmer admitted that he failed to list his interest in a shared farm so that he could obtain the maximum benefits on his own farm and that, as a result, ASCS paid him and his partner approximately \$26,000 more than they were entitled to receive.

COMMODITY CREDIT CORPORATION (CCC) PROGRAM OPERATIONS

Improvements Could Be Made in ASCS Disaster Payment Program Operations

We reviewed the 1986 Disaster Payment Program in seven selected counties in three States in order to determine whether disaster payments were made properly and whether disaster losses were verified by ASCS personnel. Our review disclosed that producers received excessive disaster payments totaling \$693,000 for 1986 crop year losses. The excessive payments generally occurred because producers had provided incorrect information about their crop acreages and actual production amounts. Additionally, county office personnel had not determined disaster

payment rates and yields for nonprogram crops properly, and generally had not used crop acreage data available in other files supporting other Department programs to verify reported disaster acreage. ASCS has agreed to collect the overpayments noted in our review. Also, since the problems we noted were so widespread in one of the States, we recommended and ASCS directed all county offices in that State to complete additional reviews of 1986 and 1988 disaster program payment calculations and recover any overpayments.

Unauthorized Disposal of Mortgaged Property

- Legal action has been completed in Oklahoma against a prominent producer who had pled guilty to subornation of perjury, conversion of CCC-mortgaged property, and aiding and abetting in connection with a \$3 million bankruptcy fraud scheme. For the scheme, the producer and two others formed a corporation for the sole purpose of concealing assets from creditors and the Federal bankruptcy court. The producer was sentenced to 11 months in prison, placed on 5 years' probation, and ordered to pay about \$23,600 in restitution to CCC.
- A farmer in Pennsylvania pled guilty to unlawful conversion of property pledged to CCC. The farmer admitted that he sold corn and soybeans, which were used as security for over \$229,000 in CCC loans, without notifying ASCS of the sale. The farmer was subsequently fined \$10,000, ordered to make restitution of approximately \$84,000, and placed on 3 years' probation.
- After pleading guilty to various charges of theft, a farmer in Illinois was sentenced to 6 months in prison, fined \$10,000, ordered to pay \$608,000 in restitution, and placed on 30 months' probation, during which time he will be prohibited from participating in any USDA programs. The farmer admitted that he sold approximately 150,000 bushels of corn, wheat, and soybeans which were pledged as collateral for approximately \$550,000 in CCC loans. He further admitted that he sold some of the grain in his son's name and forged his son's name on the checks received as payment.
- A grain dealer in Iowa was indicted by a Federal grand jury for making false statements to OIG agents during the course of our investigation. The indictment alleged that the grain dealer removed almost 67,000 bushels of corn mortgaged to CCC, that he replaced part of the corn with corn belonging to another farmer in an effort to conceal

his actions, and that he made false statements to OIG agents who were investigating the grain shortage. Trial is pending.

18 Indicted in Tobacco Marketing Fraud

Federal grand juries in Tennessee, North Carolina, Georgia, and Virginia in a coordinated effort indicted a total of 18 individuals for various violations of the flue-cured and burley tobacco programs, including conspiracy, false statements, unauthorized disposition of tobacco mortgaged to FmHA, and false identification of

tobacco. Those indicted include two warehouse owners, eight tobacco producers, five warehouse employees, two tobacco buyers, and one person employed by a producer. The indictments alleged that the warehouse owners, who were also tobacco dealers, falsely identified tobacco and marketed it by using illegally acquired marketing cards. The indictments also alleged that one of the warehouse owners used illegally obtained marketing cards and his tobacco dealer card to sell excess tobacco that he purchased illegally from tobacco producers or stole from the warehouse floor. Trials are pending.

NATURAL RESOURCES AND ENVIRONMENT

FOREST SERVICE (FS)

The FS manages over 191 million acres of National Forest System (NFS) lands, conducts a State and private forestry program, and provides national leadership in forest and range research. In FY 1988, the FS budget authority exceeded \$2.7 billion and receipts totaled over \$1.5 billion. The NFS is, by far, the largest segment of FS operations and has been the main focus of OIG's work in the FS.

During this period, we performed two major audits of FS financial and accounting processes. In addition, we reviewed the adequacy of controls to preclude timber theft in the FS region having the greatest volume of timber sales. Further, we examined the FS role in the Federal Excess Personal Property program.

Inadequate Controls Over FS Funds Result in Overobligations and Yearend Deficits

The FS found that they had obligated funds in excess of appropriated or apportioned amounts in fiscal years (FYs) 1987 and 1988. The overobligations occurred for several reasons: (1) FS fiscal officers did not limit obligations to allocated funds, (2) accounting system controls were ineffective, (3) the FS did not comply with financial management controls, and (4) followup was inadequate on deficit balance conditions reported in internal FS reviews. As a consequence, FS reported four Antideficiency Act violations totaling \$49.5 million for FYs 1987 and 1988.

We reviewed FS's controls over obligations. Our review of 24 FY 1986 and 1987 appropriation or allocation accounts at two FS accounting centers disclosed that accounting errors, duplicate obligations, differences between budgeted and allocated unit funds, unobligated expenditures, and simple overobligations resulted in \$24.8 million in yearend deficit balances for these accounts. In 6 of the 24 accounts we identified errors which had understated the unobligated balances by \$23.8 million. These understated balances could have prevented these funds from being available for other purposes.

We further found that FS units were not clearing expenditure transfers and certain reimbursable charges from the accounting system in a timely manner. At one accounting center, unit Financial Statements showed \$121,565 in excess reimbursements for reimbursable program costs. These excess reimburse-

ments may need to be returned to the Department of Labor or the U.S. Treasury. According to prior FS internal fiscal reviews, unnecessary National Finance Center processing costs are incurred by FS units to maintain these uncleared transactions in the Central Accounting System.

FS management responded well to the audit, citing the report as a timely and useful tool that they can use to develop corrective actions for financial management deficiencies.

Greater Accountability Needed of Federal Equipment on Loan to States

Under cooperative agreements, the FS provides State Foresters with excess Federal equipment to help control fires in communities and wildlands in non-Federal rural areas. Much of the equipment comes from the military, and ranges from relatively small pieces of equipment to fire trucks and airplanes. The Federal Government, through the FS, retains title to the equipment. According to FS records, during Fiscal Years 1982 through 1987 the cooperative States and Territories acquired about \$200 million in accountable and nonaccountable equipment items under the Federal Excess Personal Property (FEPP) program.

Our audit disclosed that the FS did not exercise adequate internal controls over the FEPP. Specifically, we found the following:

- Some FS regions delegated authority to the States to approve FEPP transactions. By delegating this authority, the FS had no assurance that the States needed or properly used the FEPP items in the fire program.
- The FS did not adequately maintain accountable FEPP inventory records. The inventory records contained numerous errors and did not include all FEPP items on loan to the States.
- The Department and FS did not correctly define accountable property. One State had received over \$100 million in FEPP aircraft parts, according to FS estimates, but because FS officials believed the parts were not accountable, the FS records showed only one item valued at about \$3,000. Because of the value of the donated items, we believe that items such as the aircraft parts should be accountable.

- The FS did not adequately monitor the need and use of FEPP items on loan to the States, and State forestry personnel were unfamiliar with the excess property reporting and disposal procedures. Disposal procedures usually took 6 months to 2 years to complete. The States had to store the unneeded and unused property until the General Services Administration authorized the transfer and sale of the items.
- Our audit also disclosed a lack of separation of duties in accounting for and disposing of FEPP items. In one State we found that the lack of separation of duties allowed a State employee to sell approximately 50 FEPP vehicles for personal gain in 1986.

We recommended that the FS implement new procedures to monitor program operations more closely and provide more accountability of equipment loaned to the States.

The FS stated that our audit helped improve the FEPP and has prepared an FEPP action plan to meet the audit's recommendations.

Timber Theft Remains a Problem in the Northwest

We conducted an audit to determine the extent of timber theft on national forest lands in the Pacific Northwest Region and to assess the effectiveness of the Region's controls to detect and prevent illegal logging.

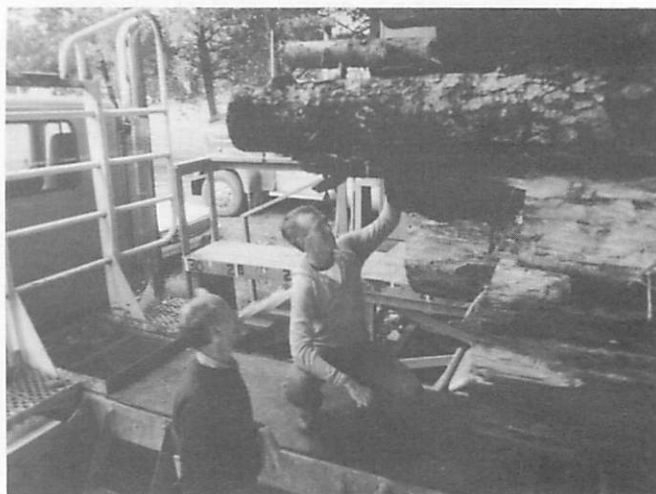
The Region's system of controls needed strengthening to detect and prevent timber theft. During the period 1986 through 1988, prosecutors filed criminal charges for 7 major timber theft cases impacting 9 of the Region's 19 national forests. Estimated losses to the Government for these cases ranged from \$2.4 to \$5.3 million.

Recognizing the need to strengthen controls, the Region issued short-term and long-term timber theft prevention plans in 1988. These plans have not yet been fully implemented. We concluded the plans should be enhanced in the following areas:

- Workloads appear excessive for Sale Administrators (SAs), who are responsible for day-to-day monitoring of timber sale activities. This increases the likelihood that significant theft activity would not be detected in a timely manner. The theft prevention plan does not commit the Region to specific staffing levels. We recommended that the Region develop SA staffing standards in terms of

workload requirements and assign sufficient staff to this function in accordance with these standards.

- SAs and law enforcement staff regularly check trucks on haul routes between sale sites and "scaling" locations where logs are measured to determine the volume chargeable to the purchaser. We found that truck check reports were not summarized or recorded adequately. As a result, forest supervisors may not have been aware of purchasers or loggers who avoided truck checks routinely or of problems identified during the checks that may have indicated timber theft. We recommended that the Region establish standardized procedures for summarizing truck checks and for reviewing summarized information to ensure that all sales are being checked at the required frequency.



- FS and Regional procedures did not provide clear direction for determining when individual incidents of unauthorized cutting or removal of national forest timber warranted referral to law enforcement agencies. Additionally, the Region did not have a tracking and reporting system to identify behavior patterns which indicated illegal activity. We recommended that the FS clarify manual guidance and that the Region establish a process to track and report timber sale infractions by individual purchaser and/or logger.
- The Region revised its long-term timber theft prevention plan in July 1989. The Region originally planned to stop authorizing after-hours log deliveries (i.e., when scalers were not onsite). The revised plan, however, would allow such deliveries when the purchaser and contracting officer agree to security provisions. In our opinion, this revision could result in inadequate security at some

locations which will increase the risk for theft of logs. We recommended that the Region establish a directive stating that purchasers may leave unscaled loads overnight in mill yards only in unusual circumstances and when the security of these loads can be assured by the FS or an independent third party.

Civil Settlement Agreement Reached in Scheme To Obtain Timber Improperly

In California, six individuals have agreed to pay a total of \$168,000 in settlement of a civil complaint which charged them with unlawful trespass and conversion of Federal timber. The complaint charged that in 1982 and 1983, the defendants cut and removed timber from the Klamath National Forest without paying the FS and with intent to defraud the Government. The complaint charged that the defendants marked trees for removal without authority, poisoned trees to justify removal, and concealed the cut trees by burying them to avoid payment. The investigation was conducted jointly by OIG and FS Special Agents.

Lack of Controls Noted Over Accounting Adjustments

A followup audit of FS prior years' unliquidated obligations disclosed continuing problems with fund transfers and related accounting adjustments. Fund transfers represent the reclassification of financial events from one account to another. Unless adequately controlled, accounts may be adjusted which result in unauthorized transfers between appropriations and/or between fiscal

years' appropriations, in violation of the Antideficiency Act. We found that the FS's fund transfers were not always properly documented and voucher recertifications (a quality control check in the verification process) performed by FS personnel were not reliable. Our audit included an evaluation at three FS accounting centers of all accounting adjustments exceeding \$5,000 that involved transfers between fiscal years or appropriations and all adjustment or payment voucher recertifications.

Our review of 187 adjustment vouchers at the three FS accounting centers disclosed that 48 (25.7 percent) did not have adequate supporting documentation as required by FS procedure. Consequently, we were unable to determine whether these adjustments complied with applicable appropriation law. These 48 vouchers represented \$6.31 million (51.5 percent) of the total dollar value (\$12.3 million) of the vouchers reviewed.

Further, in order to verify the vouchers it processes, each year NFC selects a sample of vouchers for recertification. We reviewed 591 voucher recertifications, totaling \$192 million, and found that recertifications for 259 vouchers, totaling \$62.7 million, were either not done, not documented, or not done correctly.

We recommended that the FS improve its documentation of accounting adjustments, and improve the voucher recertification process. FS officials expressed general agreement with our findings and recommendations. We continue to work with the FS on this matter.

MARKETING AND INSPECTION SERVICES

AGRICULTURAL MARKETING SERVICE (AMS)

Egg Inspection Regulations Not Always Enforced

The Egg Products Inspection Act (EPIA) requires AMS to conduct inspections at egg products plants, sample and test egg products, and ensure the proper labeling of products. We conducted an audit which determined that AMS had not enforced egg inspection regulations and policies promptly or consistently at plants under inspection.



Specifically, we noted the following deficiencies:

- Chemicals, including unapproved chemicals, were stored improperly; facilities and equipment were in need of repair; egg products were stored in unmarked containers and in containers marked for chemicals; and facilities were constructed that had not been approved by AMS in advance. AMS supervisors had reported these types of problems but had limited success in gaining compliance because AMS did not have an adequate system for monitoring outstanding problems and the National Office did not initiate prompt followup action when problems continued.
- AMS allowed the processing of egg products to continue although violations were not corrected. AMS did not have adequate controls to monitor inspection reports, did not establish deadlines for corrective action, and did not exercise authority to

suspend operations when problems remained unresolved.

- AMS could not ensure that commercial laboratories could detect salmonella on egg products. During 1987, commercial laboratories analyzed over 65,000 samples or about 95 percent of the total egg products subjected to salmonella testing and found salmonella in 0.16 percent of the samples. AMS, however, had no accreditation procedures to qualify commercial laboratories to test egg products. Although AMS found laboratories conducting tests improperly, AMS did not routinely look for improprieties.

AMS concurred with our recommendations and is taking corrective action to strengthen its enforcement of the EPIA.

Sentencing in Commodity Diversion Scheme

Legal action has been completed against a Wisconsin creamery and two of its employees who had been indicted for short-weighting CCC-owned butter in the course of repackaging, under contract, bulk blocks into 1-pound cubes. All three defendants pled guilty and were fined a total of \$180,000 and ordered to pay restitution to USDA of over \$1 million. One of the defendants was also sentenced to 3 years in prison. The three defendants were also debarred from performing butter reprocessing contracts with the U.S. Government for a period of 1 to 2 years.

FOOD SAFETY AND INSPECTION SERVICE (FSIS)

Meat Owner Forced to Sell or Close Firms Based on Bribery Conviction

The owner of two Chicago meat packing firms signed an agreement with FSIS and AMS to sell or close his firms following an OIG investigation and his subsequent conviction on two counts of bribing a USDA meat grader. The owner agreed to divest himself of any and all interests in one of the firms within 90 days and in the other firm within 1 year.

Conviction in Food Tampering Case

A former employee of a poultry plant in Texas was sentenced to 51 months in prison and ordered to pay \$3,300 in restitution after he pled guilty to a charge of food tampering. An investigation conducted jointly with

the FBI disclosed that the individual had placed wire in poultry products in the hopes that the plant employees would be sent home for the day.

Guilty Plea in Meat Products Adulteration

A meat company in Missouri, its president, and its plant manager pled guilty to preparing and selling adulterated meat products to 25 State institutions in Missouri. The investigation, conducted jointly with the FSIS Compliance Branch, disclosed that the company produced and sold to the institutions over 334,000 pounds of adulterated meat products. Sentencing is pending. In addition, based on the investigation, the Missouri Attorney General has filed a civil suit for \$80,000 against the individuals and the company.

Unlicensed and Uninspected Processing of Meat and Cheese Products Found

An investigation in the greater Los Angeles area uncovered six locations where individuals were manufacturing and distributing sausage, cheese, and other dairy products throughout California without local health permits, State processing licenses, and USDA inspection. OIG and State of California authorities served search warrants on the 6 locations, which had employed approximately 175 individuals.

Five individuals were arrested and charged in State court with illegally manufacturing and selling meat and cheese products, and with illegal possession of food stamps. One of the defendants pled guilty and was sentenced to 8 months in prison and 3 years' probation. He was also ordered to forfeit over \$11,500 in cash seized during the searches. The other 4 defendants are awaiting trial. In addition, 32 illegal aliens who were arrested at the 6 locations were deported by immigration authorities.

ANIMAL AND PLANT HEALTH INSPECTION SERVICE (APHIS)

Two Indictments for Fraud in APHIS Programs

- A Federal grand jury in Mississippi indicted a veterinarian for making false statements in connection with USDA's Brucellosis Eradication Program. The indictment alleged that the veterinarian submitted vaccination records on which he certified falsely that he had injected 36 animals with Brucella vaccine. Trial is pending. This investigation was conducted jointly with regulatory investigators from APHIS.

- A sheep breeder in Michigan was indicted by a Federal grand jury for conspiracy and mail fraud in connection with claims of over \$2.3 million under the Cooperative Scrapie Eradication Program. The indictment alleged that the breeder conspired with another breeder to purchase sheep from the second breeder's quarantined flock and, acting as an appraiser, to certify falsely that the sheep had been destroyed. The indictment also alleged that the breeder added sheep to his own condemned flock in order to receive increased indemnification benefits. Trial is pending.

Guilty Plea in Illegal Bonsai Tree Importation

A nursery owner in New York was fined \$10,000 and placed on 1 year of probation after he pled guilty to violating the Plant Quarantine Act by unlawfully importing bonsai trees and other plant material from Japan. The owner admitted that he falsely declared the bonsai trees to be nonplant material and that he sent the trees to the United States using fictitious names. The illegal importation of the bonsai and other plant material from Japan poses a potential risk to the U.S. pine forests through the introduction of plant pests and parasites from Japan.

Animal Welfare Violations in Major Animal Fighting Tournament

OIG agents assisted Oregon State Police Officers in serving a search warrant on a farm where a major animal fighting tournament was in progress. The farm contained an elaborate bird-fighting arena, complete with stands for spectators, and separate housing facilities for the birds. The officers and agents seized two van loads of bird-fighting paraphernalia and nearly \$100,000 in cash which was being used for gambling on the fighting events.

In addition, 343 people were arrested for violations of State statutes relating to animal fighting. The individuals arrested had come from as far away as Hawaii, Mississippi, and Canada to attend the tournament. One of those arrested has since pled guilty to a State charge of involvement in animal fighting and was fined. The others arrested were similarly charged and are awaiting trial. The State of Oregon has also filed suit against the farm owner under the State Racketeering statute, seeking to confiscate the land by showing that the owner provided the means and location for the illegal enterprise.

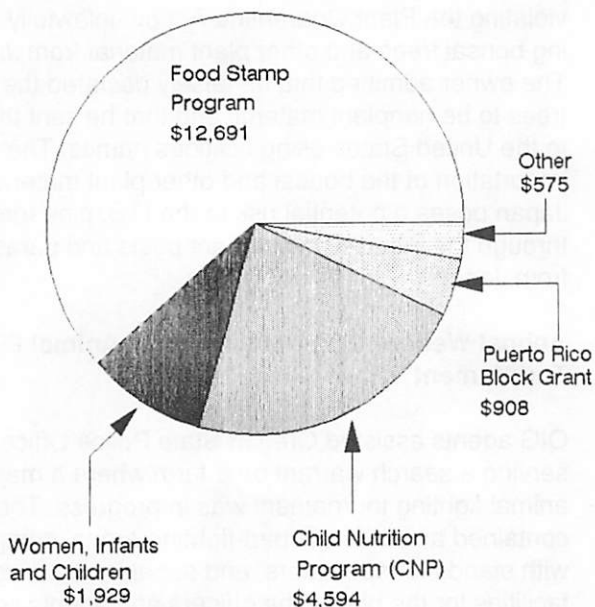
FOOD AND CONSUMER SERVICES

FOOD AND NUTRITION SERVICE (FNS)

The FNS administers 13 programs including: Child Nutrition; Special Supplemental Food for Women, Infants, and Children (WIC); Food Stamps; and Food Donations. Figure 12 shows the estimated spending for FY 1989.

Figure 12

In Millions of Dollars



FOOD STAMP PROGRAM

Improved Controls Over Food Stamp Bank Monitoring System

We had previously reported in 1986 that FNS's accountability over food stamp redemptions needed significant improvement. For example, we found that redemptions were out of balance by over \$202 million in a 6-month period. We recommended that FNS take actions to reconcile exceptions and to improve reporting at the local bank level. As a result, FNS has been working with the Federal Reserve Bank (FRB) to make the necessary changes and has established the Redemption Accountability Project to improve food stamp accountability and reconciliation functions. The

pilot project was conducted at the FRBs in Memphis, Tennessee, and Dallas, Texas, between September 1988 and March 1989.

We completed a review of the pilot and found that it improved accountability, reconciliation, and management control over food stamp redemptions. During the 6-month duration of the pilot, reconciliation between food coupons redeemed and supporting deposit documents reached a 99.92 percent level. This represents a significant improvement over reconciliation levels that existed before inception of the pilot operation. The pilot did not attain 100 percent reconciliation due to its short duration and limited testing of the pilot provisions for enforcement of requirements for balanced deposits. FNS agreed to follow through with its plans for including enforcement provisions in the revised FNS/Federal Reserve Bank agreement for national rollout of the pilot procedures.

Illinois Needs to Pursue Food Stamp Abuse by Delivery Agents

In FY 1988, Illinois provided recipients with \$711 million in food stamps, \$598 million of which were distributed to recipients through 660 direct delivery agents. Our audit of Illinois disclosed serious weaknesses in the State's internal controls over the distribution of food stamps by agents, the return of food stamps not picked up by recipients from agents, and the State's followup on agents' activities based on recipient complaints. Illinois was not making periodic visits to agents to reconcile the disposition of food stamps, and not identifying program abuse by agents through the use of test cases. Our reviews of 25 agents disclosed indications of program abuse by 8 agents involving about \$4,000 of the \$15,000 in food stamps provided to them under test cases.

Food Stamp Trafficking Leads to Arrests and Convictions

- In California, a grocery store owner and his wife were indicted and subsequently convicted for fraudulently redeeming approximately \$1.6 million in food stamps in 1987 and 1988. During the arrest of the defendants, we found that the store owner and his wife possessed approximately 263 plastic issuance cards, 275 food stamp identification cards, 115 Social Security cards, and 18 California driver's licenses. Both defendants are awaiting sentencing.

- In Chicago, 24 individuals associated with 18 retail grocery stores were indicted on charges of trafficking in food stamps. During the investigation, the store owners and their employees purchased food stamps for cash from OIG special agents in over 50 undercover transactions.
- Food stamp investigations conducted jointly with the Denver, Colorado, Police Department, resulted in the conviction of six individuals, including the owner/operator of three authorized retail outlets. These individuals purchased approximately \$16,000 in food stamps for cash and cocaine. The six were ordered to pay fines and restitutions of approximately \$8,000. Four of the defendants were also sentenced to prison.
- In the Tidewater area of Virginia, the owners of two "rolling" stores (i.e., mobile vans) were arrested for conspiring to distribute a controlled substance. The owners were regularly selling cocaine in exchange for food stamps and were in the process of arranging a sale when arrested by OIG agents. Three associates also were arrested at the same time for having cocaine in their possession. Two additional subjects, including the sister of the two store owners, were charged in State court with either distributing cocaine or conspiring to distribute cocaine. Trial is pending.
- In Las Vegas, a two-phase food stamp fraud investigation conducted jointly with the U.S. Secret Service and local law enforcement agencies and dubbed "Operation Octopus" resulted in the indictment of 40 persons. The first phase of the investigation involved 17 persons who illegally purchased food stamps from OIG undercover agents. The individuals indicted were employees of a gambling parlor, a bar, and two grocery stores. The second phase concentrated on 23 persons who were illegally receiving food stamps and Aid-to-Dependent-Children benefits. Three of these individuals had been convicted of food stamp fraud stemming from a similar OIG investigation in 1982. One of the individuals was living and working in Ohio while receiving benefits in Nevada. Five of the individuals have pled guilty and are awaiting sentencing. Other trials are pending.
- Legal action has been completed against the last individual charged in the 1984 theft of \$4.8 million in food stamps from the United States Bank Note Corporation in Philadelphia, Pennsylvania. The individual, who was convicted of purchasing over \$1 million of the stolen food stamps, was sentenced to 5 years in prison and fined \$10,000.

Improved Claims Collections Efforts Could Net Millions

We conducted reviews in three States which disclosed that the States did not properly use wage matching and quality control reviews to determine whether benefits were overissued, and did not prepare claims for identified overissuances. We projected that appropriate action was not taken on \$2.5 million in claims in one State based on a sample of matches. In two States we estimated that \$24 million in overissuances resulted from unreported wages and salaries. A proportion of this amount would have been established as claims through proper use of wage matching. This situation existed because the States did not take action on identified overissuances; only adjusted or terminated future benefits without recovering past overissuances; did not adjust or terminate future benefits before referring cases for fraud investigations; or only recovered the overissuances for the sample month.

In addition, we noted that a large volume of backlogged cases pending fraud or overissuance determinations existed in the three States. The failure to process these cases in a timely manner reduced the assurance of recovery of the estimated \$29.6 million in overissued benefits associated with these unprocessed claims. We recommended that the State agencies develop a plan to reduce the backlog of claim referrals. We also recommended that controls be established to ensure that overissuances are determined properly, and claims prepared and followup action taken in a timely manner. FNS and the States generally agreed with our findings and recommendations.

SPECIAL SUPPLEMENTAL FOOD PROGRAM FOR WOMEN, INFANTS, AND CHILDREN (WIC)

Tennessee Received \$800,000 in Excess WIC Administrative Claims

The State overclaimed approximately \$800,000 of administrative cost reimbursement for FYs 1986 through 1988. We reviewed the duties performed by WIC employees and determined that many of the employees either performed no WIC-related duties, or performed duties on multiple programs without allocating costs properly. The State agency charged the WIC program routinely for the costs of non-WIC staff because of funding deficits or personnel limits in other programs. In addition, the accounting records were not always adjusted when employees were transferred or assigned other program duties; employees' time and attendance records did not reflect actual duties performed; and the State agency did not have an effective system for distributing costs for employees who worked

on multiple programs. FNS will continue to be over charged about \$323,000 annually if this condition is not corrected. We have expanded our review of WIC administrative costs into two other States and plan to review this area on a multiregional basis in FY 1990.

Settlement Reached on Fraudulent Overclaims Against the WIC Program

A dairy vendor has agreed to pay \$75,000 in settlement with the State of California in connection with improper claims made against the WIC Program. Earlier in the year, the State had disallowed an additional \$151,000 in WIC vouchers which were submitted by the vendor. The manager and secretary of the vendor had been convicted previously in State court after our investigation disclosed that they had defrauded USDA and the State by changing prices on selected WIC vouchers.

TEMPORARY EMERGENCY FOOD ASSISTANCE PROGRAM

Convictions for Stealing Over \$100,000 in Donated Foods to the Needy

In Los Angeles, the pastor of a local church and the owner of a bakery were convicted of conspiracy and theft of Government property after our investigation disclosed that the pastor, an authorized distributor of USDA-donated food, illegally sold USDA-donated commodities, such as butter, honey, and dry milk, to the bakery owner. According to records of Los Angeles County, over \$100,000 of food picked up by the pastor could not be accounted for as having been distributed to low-income individuals. The pastor was sentenced to 3 years' probation and ordered to pay \$4,500 in fines and restitution. The bakery owner was sentenced to 3 years' probation and ordered to pay \$12,500 in fines and restitution.

NATIONAL SCHOOL LUNCH PROGRAM

New York City Received Excessive School Lunch Reimbursements

We audited NSLP operations in New York City to determine whether claims for reimbursement were based on an accurate claims system.

We found that of 25 schools reviewed, 17 had inadequate systems to ensure accurate counting, recording, and reporting of lunches served. The schools had not implemented the State's and New York City's prescribed accountability procedures, and the city had not adequately assigned responsibility at the city level for

ensuring accurate claims within the schools. By not accurately accounting for lunches served at the 17 schools, New York City received excessive reimbursement of \$488,000 for overreported lunches in the 1987-88 school year.

We also found that the State: (a) had not always followed up on findings to ensure that deficiencies were corrected or that claims were established, and (b) had not evaluated New York City's internal controls to ensure that the city effectively monitored the schools' compliance with NSLP regulations.

Most School Districts Reviewed Did Not Comply with Federal Procurement Standards When Contracting with Food Service Management Companies

Many school districts participating in the National School Lunch Program (NSLP) administer their own food services; other districts enter into contracts with private companies to administer the services for them. Within the NSLP, these private companies are known as Food Service Management Companies (FSMCs). During the 1987-88 school year, 838 (5 percent) of the 19,560 school districts participating in the NSLP contracted with FSMCs.

To determine whether school districts complied with the Federal Procurement Standards when they contracted with FSMCs, we performed an audit of selected district contracts. We statistically selected a sample of contracts entered into by school districts in 18 States.

- We estimated that 643 school districts (76 percent of the universe) did not fully comply with either of the two federally approved procurement procedures of competitive bidding or competitive negotiation.

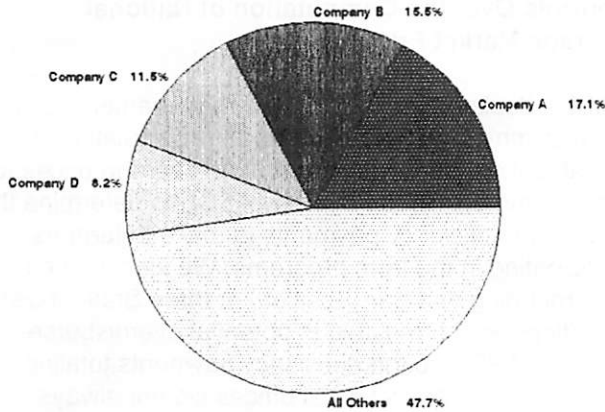
Federal procurement standards provide for maximum open and free competition.

Noncompliance with these standards could restrict competition among FSMCs and could result in fewer FSMCs being awarded contracts by the districts. We found that four large FSMCs (including their affiliates) held over 50 percent of the NSLP contracts nationwide, as illustrated in figure 13.

- Cost reimbursable contracts have become the norm among FSMC contracts. Cost reimbursable contracts generally result in higher costs and risks to school districts than fixed price contracts. Figure 14 shows a comparison of the number of the two contract types that we found in the 18 sample States.

Figure 13

Market Share By School Food Authorities Served



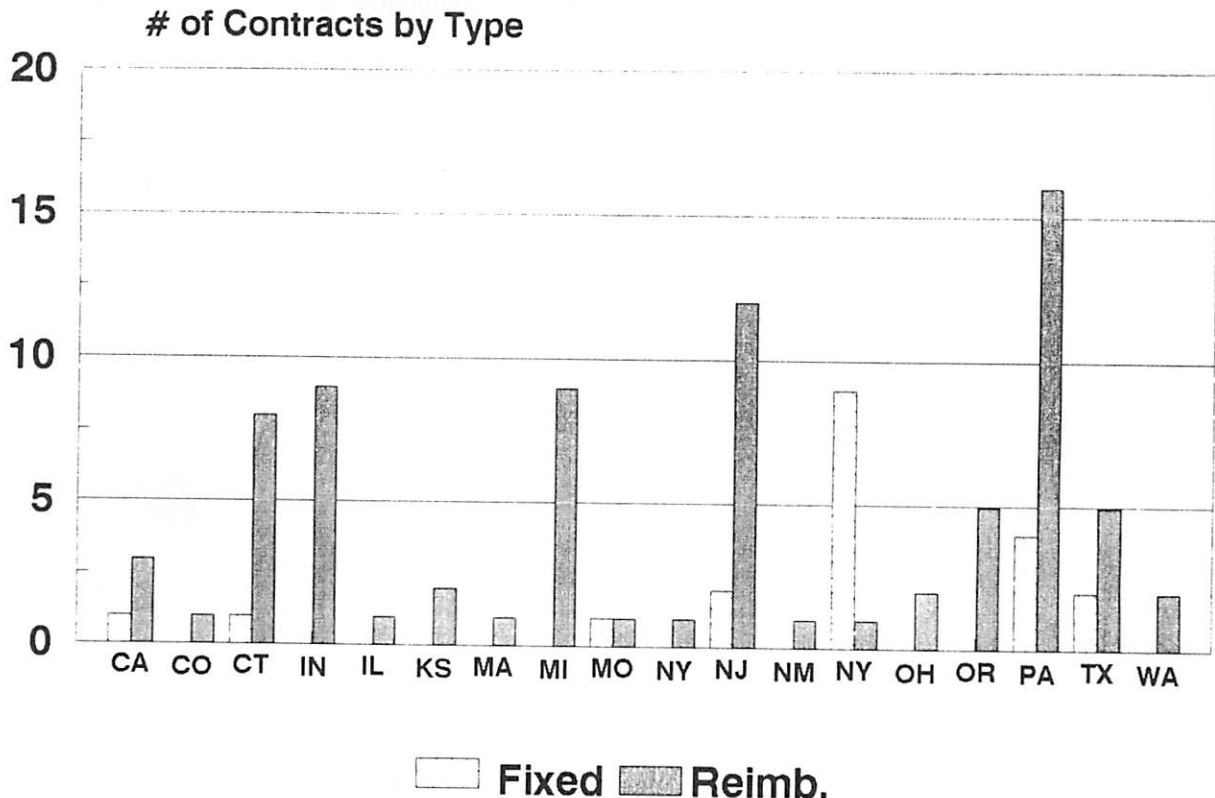
We projected that 737 school districts (88 percent) had cost reimbursable contracts.

- Sixteen school districts which used the competitive bidding process awarded cost reimbursable contracts. Federal procurement standards require that fixed price contracts be awarded when sealed bid procedures are used.
- School districts imposed inconsistent bonding, experience, hiring, and geographical requirements in their contracts.

We recommended that FNS improve its controls over the school district procurement process. FNS agreed that these controls are needed.

Figure 14

Types of Contracts Found in Sample



SCIENCE, EDUCATION, AND ECONOMICS

COOPERATIVE STATE RESEARCH SERVICE (CSRS)

CSRS administers grants and payments to States for agricultural research carried on by a nationwide system of agricultural experiment stations and 1890 Land-Grant Institutions (LGI). CSRS's budget for fiscal year 1989 was \$341 million.

In an audit of an LGI completed during this period, we took issue with over \$263,000 in program costs that resulted from claiming duplicative costs; improperly obligating research funds; and not having records to support some costs. CSRS officials advised that they will take the appropriate corrective action.

Our followup of prior audits during this period disclosed that CSRS has taken appropriate corrective action on two reports: in one instance, CSRS issued a formal billing to recover approximately \$962,000 of disallowed indirect costs; and, in another, CSRS collected \$76,000 that had been improperly charged to the program and had the institution transfer costs of about \$56,000 from Federal funds to State funds.

NATIONAL AGRICULTURAL STATISTICS SERVICE (NASS)

Controls Over the Computation of National Average Market Prices

NASS calculates the national average market prices for all commodities. We reviewed the calculations for wheat, cotton, barley, and oats. The average prices for these commodities are used by ASCS to determine the amount of deficiency payments to make to farmers participating in the farm programs. We identified errors (i.e., rounding and transposition) at three State statistical offices, which resulted in potential overdisbursements of ASCS cotton deficiency payments totaling \$5.8 million. State statistical offices did not always follow controls established to ensure the accuracy of price summaries, and written procedures did not exist to verify data received by statisticians over the phone. In addition, NASS did not have documented procedures or controls over the computation of the national average market prices at the national level.

NASS agreed that controls over the computation of average market prices needed strengthening and took corrective action to establish procedures to ensure accurate computations.

EMPLOYEE INTEGRITY

Investigating allegations of serious employee misconduct continues to be a major priority for OIG. Our main concerns regarding employee misconduct include conflicts of interest, misuse of official position in order to obtain unjustified benefits, allegations of bribery and extortion, and the misuse or theft of resources and program funds.

During the past 6 months, our investigations into serious employee misconduct resulted in 14 indictments of current or former USDA employees and 48 personnel actions, including removals, suspensions, and resignations. The following are examples of some of these investigations which yielded such results during the past six months.

● Employees Investigated for Embezzling Funds

An FmHA assistant county supervisor in Oregon was sentenced to 18 months in prison and was ordered to pay almost \$6,000 in fines and restitution after pleading guilty to embezzling money from FmHA. Our investigation showed that the employee issued 32 checks totaling \$16,000 to a personal friend, who then returned the proceeds less a kickback. The employee was terminated from her employment with FmHA.

In Illinois, two FmHA employees working in the same county office were charged with embezzling Government funds. One of the employees, working with an accomplice, was charged with issuing \$2,800 in Government checks to pay for personal expenses. The accomplice was also charged for participating in the scheme. The second employee, acting independently, was charged with diverting \$900 in U.S. Treasury checks made payable to FmHA. Trials are pending. Both employees resigned during the investigation.

An FmHA assistant county supervisor in North Carolina was indicted after an investigation disclosed that he embezzled over \$3,500 in cash from FmHA over a 14-month period. The cash was received by the county office for rural housing payments. He has since resigned from FmHA. Trial is pending.

A former ASCS county office employee in Mississippi was sentenced to 6 months in prison,

ordered to pay \$9,500 in restitution, and placed on 3 years' probation after she pled guilty to embezzling funds from the ASCS office. Our investigation disclosed that while employed by ASCS she stole 30 blank checks from the ASCS office and negotiated 28 of the checks for over \$9,500. The individual resigned from ASCS prior to the discovery of the missing checks.

● Two Meat Graders Indicted for Perjury; Three Others Resign

A Federal grand jury in Illinois indicted a USDA meat grader and a former USDA meat grader for perjury. The indictments alleged that the two individuals lied to the grand jury about accepting or being offered gifts or gratuities from meat plant operators. Trials are pending. Also as a result of this investigation, three other graders resigned from AMS after being confronted with information that they had previously accepted gifts or gratuities from meat plant operators.

● Two APHIS Inspectors Arrested for Narcotics Sales

A joint investigation with the U.S. Customs Service resulted in the arrest of two APHIS Plant Protection and Quarantine inspectors for the sale of narcotics at their official duty station, the John F. Kennedy International Airport in New York. The inspectors were charged with possession with intent to distribute cocaine. One inspector pled guilty and was sentenced to 2 years' probation and fined \$4,000. He has been placed on indefinite suspension by APHIS pending action to terminate his employment. Legal action is pending against the other inspector, who is on administrative leave.

● Compliance Officer Found Violating Travel Regulations

A former FSIS Compliance Officer pled guilty to making a false statement involving false travel vouchers while employed by FSIS. The Compliance Officer resigned during our investigation, which disclosed that he filed approximately 30 travel vouchers totaling over \$16,000 using false or forged lodging receipts. Sentencing is pending.

- **APHIS Inspector Resigned, Charged with Civil Rights Violations**

An investigation conducted jointly with the U.S. Immigration and Naturalization Service disclosed that an APHIS inspector was sexually assaulting female Mexican nationals who were entering the United States through his duty station in Texas. During the investigation, the inspector resigned from his position in lieu of termination by APHIS. He was subsequently placed on two years' probation after he pled guilty in Federal court to civil rights violations.

- **Unauthorized Accesses to Manipulate Computer Data Led to Suspension of ASCS Employee**

An ASCS employee in the Kansas City Commodity Office (KCCO) was suspended 30 days without pay after an OIG investigation disclosed that on three occasions the employee accessed the KCCO computer in an unauthorized manner, used fictitious logon initials, and manipulated the status of grain inventory. These activities were conducted for the benefit of a grain storage company licensed to store CCC grain. The computer manipulations allowed millions of bushels of grain to remain in a storage status so that the company could continue to receive storage fees from CCC on a substantial quantity of Government-owned grain. The investigation further disclosed that the KCCO employee provided preferential treatment to a grain warehouseman.

- **ASCS Trainee Indicted for Conversion and False Claim**

An ASCS county office trainee was indicted for conversion of FmHA collateral and for the submission of a false claim to FCIC. The indictment alleged that, while operating his personal farm, the individual illegally sold over 8,300 pounds of tobacco which was mortgaged to FmHA. The indictment also alleged that he submitted a false claim to FCIC by underreporting his tobacco production, thereby receiving over \$13,000 which he was not entitled to receive. He has been suspended from his position with ASCS pending the outcome of his trial.

In addition to conducting investigations into allegations of serious employee misconduct, OIG closely coordinates with USDA's Office of Personnel to provide agency personnel with the training needed to allow them to investigate allegations of minor employee misconduct, such as leave abuse or misuse of a government vehicle.

ADMINISTRATIVE SYSTEMS AND PROCESSES

OIG Establishes New Division to Oversee Management Control

Financial management and automated data processing (ADP) issues have become more visible and command more audit attention than ever before. Congressional and Executive bodies have focused on strengthened accountability and management control over Government resources. At the same time, pressures have continued for additional and more responsive Government services.

High dollar fraud experienced by several Federal departments increased the emphasis on the need for adequate internal controls over Federal programs and delivery systems. The Director of the Office of Management and Budget (OMB) recently asked each Executive Branch Department and Staff Office to reevaluate its system of internal controls. He also reminded Executive Branch Managers that adequate systems of internal controls are among management's most critical responsibilities. In addition, widely publicized incidences of unauthorized access to major ADP systems by hackers with both recreational and criminal intent have underscored the importance of adequate computer security and control.

Because the quality of management control has assumed major significance, so have attendant issues such as adequate accounting systems; improved financial management; better cash and debt management; expanded use of state-of-the-art ADP technologies and systems; growth in telecommunications services, and adequate ADP security and control.

To strengthen OIG's audit approach to these issues, we established a new Accounting and Financial Management Division at our Headquarters level. The primary objective of the new division is to direct and coordinate all audit activity in the areas of financial management, internal controls, and ADP.

FINANCIAL MANAGEMENT

OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT (OICD)

Billing Problems Weaken the Resource Support Services Agreement (RSSA)

Under the RSSA, OICD agreed to develop and monitor training programs for employees of the Agency for

International Development (AID). AID would then reimburse OICD. We found that although OICD was able to identify amounts that should be billed and collected from AID it had no procedures in place to verify that all fees had been billed and collected. We could not determine the amount that OICD received for FY 1988. Also, the RSSA did not clarify responsibilities, fiscal management requirements, and the overall administration of the agreement. Sections of the RSSA did not give details for specific requirements.

In the absence of specific requirements, OICD did not perform financial closeouts and reconciliations for training projects completed under the RSSA. In addition, OICD had not established reporting procedures to notify AID's Office of International Training of completed training projects. Consequently, more than \$490,000 in AID project funds have not been deobligated, even though projects had ended.

Deficiencies in the areas of billings and collections had been identified by a prior OIG audit and an Office of Finance and Management review.

OFFICE OF FINANCE AND MANAGEMENT (OFM)

Consolidated Review Program Needed Modifications and Enhancements

In an effort to standardize procedures, OFM revised its approach to the performance of reviews required by the Federal Managers' Financial Integrity Act. OFM's Consolidated Review Program (CRP) was developed to consolidate the reviews required by OMB Circulars on internal control systems (A-123), financial management systems (A-127), and management of Federal information resources (A-130).

Our review of the CRP disclosed that OFM needed to complete instructions and guidelines so that reviews performed by agencies within USDA met all OMB requirements. Specifically, OFM needed to ensure that: risk evaluations were uniform; minimum requirements for the CRP reviews were developed; and OMB be notified of the Department's intent to review financial systems on a 5-year rather than a 3-year cycle (as required by OMB Circular A-127). In addition, OFM needed to test the CRP at field office locations to ensure that it meets stated objectives and to provide adequate CRP training to agencies in time for their annual reviews.

OFM officials generally agreed with our recommendations to correct these deficiencies and are implementing the necessary corrective actions.

AUTOMATED DATA PROCESSING

The FS's Automated Purchase Order System Is Vulnerable to Abuse

We reviewed the controls over the FS's Automated Purchase Order System (APOS) for its small purchases program. APOS creates and stores purchase orders and transmits them electronically to the National Finance Center for processing and payment.

Although APOS makes the small purchase process more efficient, we found that important controls were not incorporated into the system and that the system was vulnerable to abuse. The FS had not performed certification tests even though APOS was classified as "sensitive," and it had not implemented essential audit trails and archiving and requisition processes. We also found that controls were not adequate to safeguard the APOS transfer file against unauthorized data base changes.

We recommended that the FS and the APOS contractor ensure that the essential APOS system controls are identified and implemented. FS managers agreed with our recommendations and are developing and implementing corrective actions.

Weak Controls Caused Payment of Unearned ASCS Disaster Program Benefits

We reviewed the internal controls for the software used by ASCS in implementing the 1988 Disaster Program State and County Office Automation Project. Because the Disaster Assistance Act of 1988 mandated a short timeframe in which to implement the program, the system relied heavily on manual rather than automated procedures and controls. These manual controls, however, were not always implemented properly. In one case, a transfer from automated to manual controls resulted in overpayments. The automated controls, relating to disaster and deficiency payments, were based on the assumption that ASCS would make disaster payments before deficiency payments were paid. However, deficiency payments were made first in some cases. This negated the automated controls and forced ASCS field personnel to establish manual controls to ensure that disaster payments were reduced by deficiency amounts for the same crop.

We found that some County Offices (CO) did not establish adequate controls and that producers were

overpaid. For example, 11 of the 12 COs we contacted had paid or were expecting to pay producers 1988 disaster payments after the producers had received their final deficiency payments for the same crop. Our review in one CO disclosed that 78 of the 508 farms that received 1988 wheat final deficiency payments received duplicate disaster payments of about \$14,000. In addition, some ASCS COs did not enter payment status codes into the disaster program software in a timely manner. ASCS has initiated action to identify producers receiving duplicate disaster payments. However, action to collect the overpayments has not yet been initiated.

ASCS agreed with our recommendations to identify producers receiving unearned program benefits and to initiate action to recover the benefits paid improperly.

Internal Control Weaknesses Identified in the Development of FNS Non-Federal ADP Systems

- We reviewed an automated interactive-interview pilot project in Mississippi. The pilot took place in several counties and determined food stamp eligibility and issued benefits. As a result of our review, the pilot project was terminated due to inadequate application procedures.
- Our review of the South Carolina ADP Center disclosed that security clearances or background checks were not being performed for personnel with access to sensitive data, such as issuance files authorizing the disbursement of program benefits. The Center requested background checks from the State's personnel department, but the State did not require background checks for sensitive positions and has taken no action on the Centers request. We are continuing to work with FNS and the State to resolve this matter.
- Our review of California's accounting for the costs of the new Statewide Automated Welfare System (SAWS) disclosed that one of the two pilot counties had not assigned programming staff members to work with the contractor during system development to facilitate an understanding of system operation and maintenance. Without this on-the-job training, the county and FNS could incur additional costs for system maintenance. In another county, State claims auditors did not post the county's ADP claim amounts to the proper accounts. This caused overstated ADP costs which result in a potential overclaim by the county of over \$155,000. State officials concurred with our findings and recommendations and plan to initiate appropriate corrective action.

AUDITS OF CONTRACTS

OIG audits of contracts are performed to assist USDA procurement offices in the negotiation, administration, and settlement of USDA contracts and subcontracts. OIG performed or arranged for audits of 21 pricing proposals, cost reimbursement contracts, or contractor claims. These audits resulted in questioned costs or potential savings of more than \$5.4 million. Also, during this period, management decisions were made on 15 audits resulting in savings of about \$4 million.

● Contractor Claim Not Supported by Cost Records

As the result of an audit of a contractor's claim for work performed on a watershed project in Oklahoma, we questioned about \$484,000 of a \$523,000 claim because it was not supported by cost records. The contractor had estimated the purchase cost of the heavy equipment used on the job site. However, the contractor based his cost estimates on a rental handbook that was not approved for use on government contracts and did not approximate his actual costs. The estimated equipment hourly rates used by the contractor were higher than those compiled by the auditor using industry accepted rates. The final determination of the amount payable will be made by the SCS Contracting Officer.

● Unallowable or Unsupported Costs Submitted

We audited a proposed settlement for a FS road construction project in Oregon that was terminated for the convenience of the Government. We questioned about \$400,000 of the \$816,500 claim. We questioned (1) the amount claimed for profit because anticipated profits, which are disallowed under the Federal Acquisition Regulations, were included; and (2) other costs because the contractor did not support them adequately.

OFFICE OF OPERATIONS (OO)

Controls Over Office Supplies Are Inadequate

We audited the internal controls established by OO over the purchase and resale of office supplies to USDA agencies through the Working Capital Fund. We identified areas where improvements to the automated inventory control system were needed. Major differences existed between the automated system inventory records and the actual inventory. We recommended that OO strengthen controls over the sale of office supplies by establishing edit checks and a process for inventory adjustments, and by separating

duties. OO agreed with our recommendations and is in the process of taking corrective action.

OVERSIGHT OF NON-FEDERAL AUDITORS

OIG monitors the work performed by non-Federal auditors for program agencies of the Department and takes appropriate steps to ensure their work meets the standards established by the Comptroller General. Where OIG has been assigned cognizance for single audits of State and local governments, we work very closely with both the auditee and the independent auditors, meeting frequently with them to monitor the progress of the audit and to provide technical information. OIG reviews the single audit work performed by non-Federal auditors to determine that it meets the requirements of OMB Circular A-128, Audits of State and Local Governments, and the standards promulgated by the Comptroller General. In addition, OIG participates in the quality control reviews of statewide audits and audits of State agencies administering major USDA programs that are led by other cognizant agencies. During this 6-month period, OIG assisted in 5 quality control reviews for which other Inspectors General offices had lead cognizant agency responsibilities.

As the assigned lead cognizant agency for the Single Audit of the Commonwealth of Pennsylvania, we reviewed the report for the year ending June 30, 1988, and concluded that it conformed with applicable requirements and standards. The audit was performed jointly by the Pennsylvania Department of the Auditor General and two independent public accounting firms. During the audit period the Commonwealth received approximately \$5.2 billion in Federal assistance under about 200 programs. The auditors reviewed 32 major Federal programs, and sampled 95 percent of the 1988 Federal expenditures. The auditors made 82 recommendations involving programs of 6 Federal agencies and questioned over \$4.3 million in costs. Of this amount, \$678,000 applied to USDA programs.

The auditors also made three recommendations to improve the processing of subrecipient audit reports by the Commonwealth. These include reports made under OMB Circular A-128 as well as A-110. Corrective action to be initiated on these recommendations should provide assurance that all required subrecipient audits are completed, received, reviewed, and processed and that any corrective measures needed are accomplished in a timely manner.

OIG is also the assigned cognizant lead audit agency for the Single Audit of the State of Minnesota. For the year ending June 30, 1988, the State received approximately \$1.9 billion in Federal assistance under about

270 programs. The audit included reviews of 50 major Federal programs, and sampled 95 percent of the 1988 Federal receipts. The Minnesota Legislative Auditor made 87 recommendations involving programs of 9 Federal agencies including USDA. The Legislative Auditor reported that the followup on cross-cutting issues reported in subrecipient audits was not being accomplished, and the draw down of Federal funds was not based on immediate disbursement needs. We performed a desk review of the report and determined that the reporting requirements set forth in the OMB Circular A-128 were met.

In conjunction with the single audit, the Minnesota Office of the State Auditor determined that 900 entities received Federal funds from Minnesota. The report contains a summary of the quality of 800 audits of subrecipients which were received timely. The State Auditor reported that 47 of the reports (5.9 percent) did not meet reporting standards fully. The auditors were advised of the reasons the reports were unacceptable and all promptly filed acceptable revised single audit reports. In addition, 114 letters were sent to audit firms advising them of minor deficiencies. Federal funds received by the subrecipients totaled almost \$850 million, of which \$639 million was passed through State agencies. Questioned costs at the subrecipient level totaled over \$875,000, of which about \$52,000 involved USDA funds.

In addition to performing indepth reviews of the auditors' work, OIG conducts a desk review of all assigned

A-128 reports that have been prepared by independent non-Federal auditors to determine that the reporting requirements are met. Where necessary, additional work is required, or clarifications and revisions of the report are obtained, before the audit is considered acceptable. Since the last semiannual report, OIG has reviewed 9 Single Audit and other organizationwide audit reports. In one of these cases, the non-Federal auditor performed additional work as a result of our review to determine the reasonableness of the indirect cost rate prior to release of the final report.

Also, we received and distributed 98 reports furnished to us by other Federal cognizant agencies. In addition, the Department annually receives numerous reports from non-Federal auditors pursuant to program requirements. These non-Federal audit reports are submitted directly to agency program managers. In July 1987, we referred 16 CPA firms for substandard work. To date, State Boards have acted on 14 of the referrals. Sanctions included censuring the CPAs, requiring them to take specific continuing education courses, and in one case suspending a CPA's license for 3 years. The American Institute of Certified Public Accountants (AICPA) resolved 15 of the 16 referrals, substantiating violations in 14 cases. One case has been referred to the AICPA's Trial Board. The AICPA has required the CPAs to complete additional hours of specific continuing education courses, and to submit for review an audit performed after the completion of the courses.

STATISTICAL DATA

Audits Without Management Decisions

The following audits did not have management decisions made within the 6-month limit imposed by Congress.

Agency	Date Issued	Title of Report	Dollar Value
Audits Pending Agency Action			
APHIS	6/30/88	1. United States/Mexico Screwworm Eradication Program (33615-2-Hy) ^a	\$ 18,000,000
ASCS	9/30/88	2. Excessive Deficiency Payments to Hybrid Seed Producers (03099-70-Ch) ^a	\$114,071,429
	9/30/88	3. Followup Review of the Conservation Reserve Program (03099-123-KC) ^a	\$ 125,196
	7/14/88	4. Conservation Reserve Program Payment Limitation in Colorado (03099-114-KC) ^a	\$ 2,406,134
	10/4/88	5. Employment of Retired Federal Annuitants and Other Individuals Previously Employed by the Department as "Experts" for the CCC (03091-14-FM)	\$ 650,389
	3/7/89	6. Internal Controls Over Commodity Certificates Redemption, Illinois State Office (03099-76-Ch)	\$ 45,668
	3/29/89	7. Loan Redemptions with Commodity Certificates, Shelby County, Illinois (03099-78-Ch)	\$ 232,453
	3/3/89	8. Large Payments Made to an Entity in Montana (03645-3-KC)	\$ 3,122
	11/16/88	9. Reported Violations of ASCS Maximum Payment Limitation Provisions in Louisiana (03099-129-Te)	\$ 356,421
	1/20/89	10. Box Elder County ASCS Office, Utah (03012-1104-KC)	\$ 2,168,614

Agency	Date Issued	Title of Report	Dollar Value
CSRS	3/31/89	11. Research Facilities Program (13601-1-At)	\$ 6,470,472
FmHA	5/4/87	12. Business and Industry Loan to Sherman Construction Co. (04099-124-Te) ^a	\$ 1,114,388
Audits Pending OGC Action or Opinion			
FmHA	8/24/87	13. Business and Industry Loan to Glover Inc., (04099-131-Te) ^a	\$ 6,343,325
		14. Business and Industry Loan to Lakewood Plantation (04099-271-At)	\$ 926,596
Audits Pending Action Outside the Department			
FmHA	9/2/88	15. Business and Industry Loan to Le Bossier Hotel, Louisiana (04099-135-Te) ^a	\$ 8,736,576

^aReported in last Semiannual Report

1. ***United States/Mexico Screwworm Eradication Program (SEP), Issued June 30, 1988***

The audit found that Mexico was contributing less than its 20 percent share of program operating costs. We estimated this shortage to be approximately \$18 million for the period 1976-1986. We recommended that APHIS take appropriate action to collect these funds. APHIS requested and received an opinion from the Office of General Counsel (OGC) concerning the currency exchange rates to use when calculating a debt, whether APHIS is the responsible party to collect the funds and whether the process to waive required contributions in certain years was proper. APHIS is evaluating the OGC opinion to determine what actions to take.

2. ***Excessive Deficiency Payments to Hybrid Seed Producers, Issued September 30, 1988***

We recommended that ASCS use actual yields when computing deficiency payments for program acreages planted for the production of hybrid seed. We also recommended that ASCS seek either legislation to exclude producers of nonprogram crops from receiving deficiency payments, or establish separate market prices for these

nonprogram crops. ASCS advised that this issue will not be decided until development of the 1990 Farm Bill. We are continuing our efforts to obtain a management decision.

3. ***Followup Review of the Conservation Reserve Program, Issued September 30, 1988***

We reported that ASCS had not coordinated with FmHA on the development and issuance of procedures to identify borrowers whose FmHA loan conditions would preclude their participation in ASCS programs. ASCS at first agreed with the audit but then reversed its position, stating that FmHA was responsible for taking corrective actions. We disagree that FmHA is solely responsible for acting in this case, and are continuing our efforts to obtain a management decision.

4. ***Conservation Reserve Program Payment Limitation in Colorado, Issued July 14, 1988***

We recommended that ASCS recover program payments resulting from incorrect "person" determinations, noncompliance with payment limitation provisions, and contract errors. ASCS agreed with the recommendations but has not

provided documentation to show that corrective actions have been initiated and that recoveries are under way.

5. ***Employment of Retired Federal Annuity and Other Individuals Previously Employed by the Department as "Experts", Issued October 4, 1988.***

We reported that the Commodity Credit Corporation (CCC) did not have the authority to contract with 49 retired annuitants hired as experts for CCC. We recommended that ASCS have the General Accounting Office review each of the 49 contracts and ascertain whether a violation(s) of the Antideficiency Act occurred. ASCS continues to believe they had authority to contract with the retired annuitants employed as "experts" for the CCC. We are continuing to work with ASCS to obtain a management decision.

6. ***Internal Controls Over Commodity Certificates Redemption, Illinois State Office, Issued March 7, 1989***

ASCS has not yet completed their review and initiated corrective action.

7. ***Loan Redemptions with Commodity Certificates, Shelby County, Illinois, Issued March 29, 1989***

ASCS has not yet completed their review and initiated corrective action.

8. ***Large Payments Made to an Entity in Montana, Issued March 3, 1989***

ASCS has not yet completed their review and initiated corrective action.

9. ***Reported Violations of ASCS Maximum Payment Limitation Provisions in Louisiana, Issued November 16, 1988***

ASCS has not yet completed their review and initiated corrective action.

10. ***Box Elder County ASCS Office, Utah, Issued January 20, 1989***

ASCS has not yet completed their review and initiated corrective action.

11. ***Research Facilities Program, Issued March 31, 1989***

The audit disclosed that two 1890 Land Grant Institutions (LGIs) had obligated and spent funds to upgrade facilities that, in part, were being used for nonresearch activities or proposed for nonresearch uses, and had incurred questionable construction expenditures due to omissions by the contractor/architect and poor management decisions. The audit also disclosed that one LGI had sold a farm on which CSRS had funded improvements without returning any portion of the proceeds to either the research program or CSRS, and one LGI entered into architectural and construction contracts despite an apparent conflict of interest in the relationship between the contractors. We are continuing to work with the agency to obtain a management decision.

12. ***Business and Industry Loan to Sherman Construction Company, Issued May 4, 1987***

The audit recommended that FmHA refer to OGC the violations of the lender's agreement and request that OGC determine the extent to which FmHA may enforce the loan note guarantee. Subsequent to liquidation, legal action will be taken to enforce the loan note guarantee.

13. ***Business and Industry Loan to Glover, Inc., Issued August 24, 1987***

The audit recommended that FmHA refer to OGC the violations of the lender's agreement and request that OGC determine the extent to which FmHA may enforce the loan guarantee. OGC has advised FmHA to seek recovery of the unallowable attorney fees and interest losses incurred from the lender. We will agree to a management decision when the agency initiates action to recover the amounts recommended. A draft letter of determination to the lender is at OGC for approval.

14. ***Business and Industry Loan to Lakewood Plantation, Issued August 10, 1988***

The audit recommended that FmHA refer to OGC the violations of the lender's agreement and request that OGC determine the extent to which FmHA may enforce the loan guarantee. FmHA and OGC are reviewing this matter.

15. Business and Industry Loan to Le Bossier Hotel, Louisiana, Issued September 2, 1988

The audit recommended that FmHA refer to OGC the violations of the lender's agreement and request the OGC determine the extent to which FmHA may enforce the loan guarantee and recover losses covered by the guarantee. OGC completed its review and referred the case to the Department of Justice for concurrence before initiating litigation. The U.S. Attorney then requested OIG to conduct an investigation which is underway.

Indictments and Convictions

Between April 1, 1989, and September 30, 1989, OIG completed 714 investigations. We referred 448 cases to Federal, State, and local prosecutors for their prosecutive decisions.

During the reporting period, our investigations led to 466 indictments and 289 convictions. Fines, recoveries/collections, and restitutions resulting from our investigations totaled about \$26.7 million. Administrative penalties of \$9.4 million were established and costs of \$6.2 million were avoided.

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

Agency	April - September 1989		Total for FY 1989	
	Indictments	Convictions ^a	Indictments	Convictions ^a
AMS	5	4	9	13
APHIS	9	5	10	7
ARS	1	1	1	1
ASCS	41	14	51	25
FAS	0	1	0	3
FCIC	9	1	13	2
FGIS	0	1	2	1
FmHA	36	37	64	70
FNS	352	211	534	433
FS	1	6	12	8
FSIS	8	6	12	7
REA	4	2	4	2
Multi-Agencies	0	0	1	1
Totals	466	289	713	573

^a This category includes Pretrial Diversions

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

Hotline Complaints

The OIG Hotline serves as a national receiving point for the reporting of suspected incidents of fraud, waste, and abuse in USDA programs and operations for both Departmental employees and the general public. During this reporting period, the OIG Hotline received and analyzed 1,106 complaints. A total of 64 of these complaints were investigated or audited by OIG, while 22 were referred to other Federal law enforcement agencies. A total of 787 were referred to the administering USDA agency for resolution and response to OIG. Of the remainder, 223 complaints were provided to the responsible USDA agency for information (no response to OIG was requested), while 10 contained insufficient information to take any action.

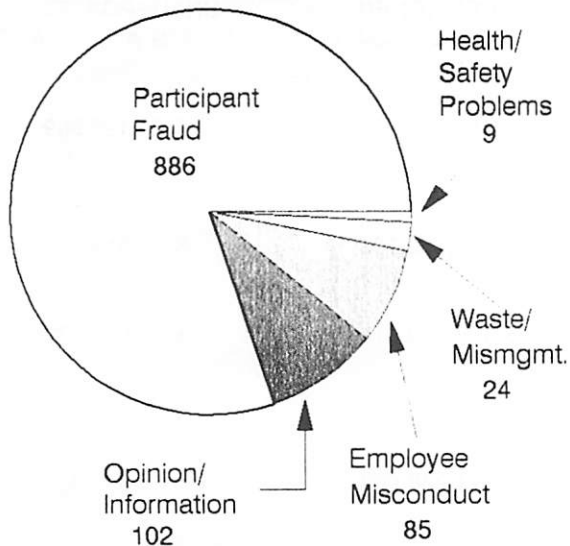
The 24-hour, toll-free telephone number continues to be the major source for receipt of Hotline complaints. The majority of complaints are allegations of participant fraud in USDA's programs. Figure 15 shows a breakdown of the various types of allegations for this reporting period.

Figure 15

HOTLINE COMPLAINTS

April 1, 1989 through September 30, 1989

(Total Cases = 1,106)



Freedom of Information Act Activities

OIG processed 181 requests under the Freedom of Information Act (FOIA) compared with 302 for the previous 6 months. The following schedule presents FOIA data for this and the previous reporting period.

	Last Period	This Period
Number of Requests	302	181
Number of Favorable Responses	237	112
Number of Unfavorable Responses	65	69
Unfavorable Responses Due to:		
No Records Available	26	9
Requests Denied in Full	12	21
Requests Denied in Part	27	39
Totals		
Other Data not Affected Directly by the Requests:		
Appeals Granted	1	0
Appeals Denied in Full	3	0
Appeals Denied in Part	0	1
Number of OIG Reports Released in Response to Requests	367	179

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

**INVENTORY OF AUDIT REPORTS ISSUED
WITH QUESTIONED COSTS AND LOANS**

	NUMBER	DOLLAR VALUES	
		QUESTIONED COSTS AND LOANS	UNSUPPORTED ^{a/} COSTS AND LOANS
A. FOR WHICH NO MANAGEMENT DECISION HAD BEEN MADE BY APRIL 1, 1989	110	\$ 61,145,911	\$ 24,199,809
B. WHICH WERE ISSUED DURING THIS REPORTING PERIOD	131	\$ 46,713,102	\$ 18,319,463
SUBTOTALS	241	\$ 107,859,013	\$ 42,519,272
C. FOR WHICH A MANAGEMENT DECISION WAS MADE DURING	140		
(1) DOLLAR VALUE OF DISALLOWED COSTS		\$ 21,288,908	\$ 2,327,328
(2) DOLLAR VALUE OF COSTS NOT DISALLOWED		\$ 3,433,025	\$ 2,218,163
D. FOR WHICH NO MANAGEMENT DECISION HAS BEEN MADE BY THE END OF THIS REPORTING PERIOD	101	\$ 83,846,740	\$ 38,052,315
REPORTS FOR WHICH NO MANAGEMENT DECISION WAS MADE WITHIN 6 MONTHS OF ISSUANCE	14	\$ 50,222,451	\$ 24,594,852

^{a/} Unsupported values are also included in questioned values.

**INVENTORY OF AUDIT REPORTS ISSUED
WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE**

	NUMBER	DOLLAR VALUE
A. FOR WHICH NO MANAGEMENT DECISION HAD BEEN MADE BY APRIL 1, 1989	20	\$ 256,995,055
B. WHICH WERE ISSUED DURING THIS REPORTING PERIOD	39	\$ 256,833,850
SUBTOTALS	59	\$ 513,828,905
C. FOR WHICH A MANAGEMENT DECISION WAS MADE	25	
(1) DOLLAR VALUE OF DISALLOWED COSTS		
- BASED ON PROPOSED MANAGEMENT ACTION		\$ 147,752,915
- BASED ON PROPOSED LEGISLATIVE ACTION		0
(2) DOLLAR VALUE OF COSTS NOT DISALLOWED		\$ 318,093
D. FOR WHICH NO MANAGEMENT DECISION HAS BEEN MADE BY THE END OF THIS REPORTING PERIOD	34	\$ 365,757,946
REPORTS FOR WHICH NO MANAGEMENT DECISION WAS MADE WITHIN 6 MONTHS OF ISSUANCE	4	\$ 119,284,909

**INVENTORY OF AUDIT REPORTS ISSUED
WITH QUESTIONED AGENCY ACTIONS**

	NUMBER	DOLLAR VALUE ^{a/}
A. FOR WHICH NO MANAGEMENT DECISION HAD BEEN MADE BY APRIL 1, 1989	1	\$ 2,310,813
B. WHICH WERE ISSUED DURING THIS REPORTING PERIOD	49	\$ 169,941,956
SUBTOTALS	50	\$ 172,252,769
C. FOR WHICH A MANAGEMENT DECISION WAS MADE	3	
(1) DOLLAR VALUE OF DISALLOWED COSTS		\$ 306,731
(2) DOLLAR VALUE OF COSTS NOT DISALLOWED		\$ 0
D. FOR WHICH NO MANAGEMENT DECISION HAS BEEN MADE BY THE END OF THIS REPORTING PERIOD	47	\$ 171,946,038
REPORTS FOR WHICH NO MANAGEMENT DECISION WAS MADE WITHIN 6 MONTHS OF ISSUANCE	1	\$ 2,310,813

^{a/} Not intended for collection.

**SUMMARY OF AUDIT REPORTS RELEASED
BETWEEN APRIL 1, 1989 AND SEPTEMBER 30, 1989**

DURING THE 6-MONTH PERIOD BETWEEN APRIL 1, 1989 AND SEPTEMBER 30, 1989, THE OFFICE OF INSPECTOR GENERAL ISSUED 300 AUDIT REPORTS, INCLUDING 71 PERFORMED UNDER CONTRACT BY CERTIFIED PUBLIC ACCOUNTANTS.

THE FOLLOWING IS A SUMMARY OF THOSE AUDITS BY AGENCY:

AGENCY	AUDITS RELEASE	QUESTIONED COSTS & LOANS	UNSUPPORTED ^{a/} COSTS & LOANS	FUNDS BE PUT TO BETTER USE	IMPROPER AGENCY ACTION
AMS AGRICULTURAL MARKETING SERVICE	5	0	0	0	0
ARS AGRICULTURAL RESEARCH SERVICE	6	35,510	35,510	1,457,108	0
ASCS AGRICULTURAL STABILIZATION AND CON- SERVATION SERVICE	30	9,036,441	3,046,628	1,133,127	61,145,486
FmHA FARMERS HOME ADMINISTRATION	33	27,879,622	10,379,986	10,259,678	21,731,787
FCIC FEDERAL CROP INSURANCE CORPORATION	107	718,047	36,872	320,769	87,064,061
ES EXTENSION SERVICE	1	26,766	855	0	0
FAS FOREIGN AGRICULTURAL SERVICE	2	0	0	180,163,142	0
FS FOREST SERVICE	14	0	0	24,737,919	0
REA RURAL ELECTRIFICATION ADMINISTRATION	1	0	0	0	0
SCS SOIL CONSERVATION SERVICE	2	484,206	484,206	293,235	0
OFM OFFICE OF FINANCE AND MANAGEMENT	1	0	0	0	0
CSRS COOPERATIVE STATE RESEARCH SERVICE	1	263,354	15,523	0	0
OO OFFICE OF OPERATIONS	4	1,904,155	1,904,155	0	0
FSIS FOOD SAFETY & INSPECTION SERVICE	4	2,522,280	0	0	0
FNS FOOD AND NUTRITION SERVICE	74	2,042,766	1,239,074	38,397,135	622
APHIS ANIMAL & PLANT HEALTH INSPECTION SERVICE	1	0	0	20,528	0
OICD OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT	1	0	0	0	0
MULT MULTIAGENCY	13	1,799,955	1,176,654	51,209	0
TOTALS:		\$46,713,102	\$18,319,463	\$256,833,850	\$169,941,956
TOTAL COMPLETED:					
SINGLE AGENCY AUDIT	287				
MULTIAGENCY	13				
TOTAL RELEASED NATIONWIDE	300				
TOTAL COMPLETED UNDER CONTRACT ^{b/}	71				
TOTAL SINGLE AUDITS ^{c/}	9				

NOTES:

^{a/} UNSUPPORTED VALUES ARE INCLUDED IN QUESTIONED VALUES

^{b/} INDICATES AUDITS PERFORMED BY OTHERS

^{c/} INDICATES AUDITS COMPLETED AS SINGLE AUDIT (OIG COGNIZANT)

UNITED STATES DEPARTMENT OF AGRICULTURE
OFFICE OF INSPECTOR GENERAL—AUDIT
AUDIT REPORTS RELEASED AND ASSOCIATED MONETARY VALUES
BETWEEN APRIL 1, 1989 AND SEPTEMBER 30, 1989

AUDIT NO. RELEASE DATE	TITLE	AUDITS RELEASED	QUESTIONED COSTS & LOANS	UNSUPPORTED COST & LOANS	FUNDS BE PUT TO BETTER USE	IMPROPER AGENCY ACTION
AGENCY - AMS AGRICULTURAL MARKETING SERVICE						
01-044-0001-TE 89/05/22	AMS IRISH POTATO MARKETING REFERENDA - BALLOT COUNTY OBSERVATION, MCALLEN, TX		0	0	0	0
01-061-0011-AT 89/08/09	FEDERAL INSPECTION UNDER EPIA		0	0	0	0
01-099-0017-AT 89/09/07	AMS CITRUS MARKETING ORDER REFERENDUM, WINTER HAVEN, FLORIDA		0	0	0	0
01-099-0025-HY 89/04/26	AMS-WATERMELON REFERENDUM		0	0	0	0
01-099-0048-SF 89/05/29	AMS-RAISIN MARKETING ORDER-BALLOT COUNT AND VERIFICATION.		0	0	0	0
TOTAL: AGRICULTURAL MARKETING SERVICE		5	0	0	0	0
AGENCY - ARS AGRICULTURAL RESEARCH SERVICE						
*02-545-0004-KC 89/08/14	ARS CLOSEOUT AUDIT OF COST-PLUS RALSTON PURINA, ST. LOUIS, MO		0	0	\$45,203	0
*02-545-0005-TE 89/05/11	ARS COST REVIEW OF INTELCOM PROPOSAL ON SOLICITATION 10-3K06-89		0	0	\$1,346,936	0
*02-545-0008-AT 89/05/25	PREAWARD AUDIT OF JONES OPERATIONS AND MAIN- TENANCE, CO., NADC, SOLICITATION #10-3K06-89		0	0	0	0
*02-545-0026-HY 89/04/17	ROLLINS ENVIRONMENTAL SERVICES, COST PROPOSAL		\$35,510	\$35,510	0	0
*02-545-0027-HY 89/04/17	MIT-INCURRED COST AUDIT		0	0	\$35,510	0
02-545-0029-HY 89/08/22	PRE-AWARD-GSX		0	0	\$29,459	0
TOTAL: AGRICULTURAL RESEARCH SERVICE		6	\$35,510	\$35,510	\$1,457,108	0
AGENCY - ASCS AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE						
03-001-0045-HY 89/05/09	VA ASCS		\$16,902	0	0	0
03-097-0004-TE 89/07/20	ASCS MAXIMUM PAYMENT LIMITATION JACKSON CO ARKANSAS		\$2,867,614	\$2,788,077	0	0
03-099-0021-FM 89/07/27	1988 DISASTER PROGRAM SCOAP SOFTWARE INTERNAL CONTROLS-ACCURACY AND DATA INTEGRITY		\$13,984	0	0	0
*03-099-0082-CH 89/04/10	AUDIT OF THE USDA COMMODITY DONATION TO THE INDIANA SPORTS CORPORATION		\$128,305	\$43,840	0	0
03-099-0126-KC 89/06/23	ASCS SURVEY OF CONSERVATION RESERVE PROGRAM COMPLIANCE		0	0	0	0
03-099-0128-AT 89/05/17	ASCS - PAYMENT LIMITATION SPECIAL REQUEST- ALABAMA		\$168,717	0	0	0
03-099-0128-KC 89/09/27	ASCS-UNUSUAL CROP SHARE LEASE AVOIDED APPLICATION OF PAYMENT LIMITATION		\$89,737	\$89,737	0	0
03-099-0134-KC 89/09/28	STRATEGIES FOR DETECTION OF PAYMENT LIMITATION ABUSE		\$80,206	0	\$343,120	0
03-099-0135-TE 89/05/24	REVIEW OF ASCS 1986 RICE PRICE SUPPORT LOANS TO COOPERATIVES AND PRODUCERS IN TEXAS		0	0	0	0
03-099-0136-KC 89/09/29	ASCS CONTROL ON BIDS FOR ORIGINAL CRP CONTRACTS		\$4,672	0	\$18,688	\$12,654

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03-099-0137-TE 89/08/25	ASCS ECP CLAIM CADDO PARISH, LA.		\$9,767	0	\$3,750	0
03-099-0139-TE 89/04/05	ASCS SURVEY OF 1986 DISASTER PAYMENT PROGRAM IN ARKANSAS		0	0	\$6,770	0
03-099-0140-TE 89/04/21	ASCS SURVEY OF 1986 DISASTER PAYMENT PROGRAM IN OKLAHOMA		\$22,181	0	0	0
03-099-0141-TE 89/07/26	ASCS SURVEY OF 1986 DISASTER PAYMENT PROGRAM IN TEXAS		\$664,978	0	0	0
03-099-0143-TE 89/06/12	REVIEW OF ASCS 1986 RICE PRICE SUPPORT LOANS TO COOPERATIVES AND PRODUCERS IN ARKANSAS		0	0	0	0
03-099-0144-KC 89/09/27	INELIGIBLE CONSERVATION RESERVE CONTRACTS - IOWA		\$116,745	\$116,745	\$249,472	0
03-099-0145-KC 89/09/27	INELIGIBLE CONSERVATION RESERVE CONTRACTS - MISSOURI		\$8,229	\$8,229	\$74,061	0
*03-545-0005-AT 89/04/01	AUDIT OF GFA PEANUT ASSOCIATION 1987 CROP YEAR		0	0	0	0
*03-545-0016-HY 89/07/25	APPLIED SYSTEMS INSTITUTE, WASHINGTON, D.C. COST PROPOSAL		0	0	\$360,034	0
03-600-0001-SF 89/05/19	ASCS ACTIONS ON PAYMENT LIMITATIONS FOR 1987 - IDAHO		\$1,115,182	0	0	0
03-600-0001-TE 89/09/29	ASCS 1987 COMMON PAYMENT LIMITATION PROVISIONS		0	0	0	\$61,132,832
03-600-0002-SF 89/06/14	ASCS - PAYMENT LIMITATION FOR 1987 - CALIFORNIA		\$566,194	0	0	0
03-600-0003-SF 89/06/13	ASCS - PAYMENT LIMITATION FOR 1987 - OREGON		\$116,302	0	0	0
03-600-0003-TE 89/05/24	ASCS 1987 COMMON PAYMENT LIMITATION PROVISIONS - AR		\$952,390	0	\$50,000	0
03-600-0005-TE 89/06/08	ASCS ACTION ON PAYMENT LIMITATIONS - AZ		\$314,663	0	0	0
03-600-0006-TE 89/09/29	SURVEY-ASCS IMPLEMENTATION OF 1987 FARM PROGRAM PAYMENT INTEGRITY ACT		0	0	0	0
03-645-0004-KC 89/04/05	ASCS. AUDIT OF 1986 PMTS TO ENTITY IN TWO MT COUNTIES, MT		\$6,167	0	0	0
03-645-0011-SF 89/04/20	ASCS-LARGE PMTS 186 FRESNO CO-R. C. FARMING PARTNERSHIP		\$825,096	0	0	0
03-645-0016-TE 89/04/19	ASCS AUDIT OF LARGE PAYMENTS FOR 1986 TELLES RANCH INC		\$9,975	0	0	0
03-645-0017-TE 89/06/02	ASCS AUDIT OF LARGE PAYMENTS FOR 1986 LA REAT A FARMS		\$938,435	0	\$27,232	0
TOTAL: AGRICULTURAL STABILIZATION AND CON- SERVATION SERVICE		30	\$9,036,441	\$3,046,628	\$1,133,127	\$61,145,486
AGENCY - FmHA FARMERS HOME ADMINISTRATION						
04-001-0032-HY 89/04/21	AUDIT OF MD /DELAWARE STATE OFFICE OPERATIONS AND MANAGEMENT		0	0	\$64,765	0
04-003-0008-TE 89/08/11	FmHA, SURVEY OF RURAL HOUSING PRESERVATION GRANTS IN ARK		\$19,385	\$19,385	\$1,800	0
04-011-0648-AT 89/09/22	FmHA - COUNTY OFFICE OPERATIONS - NEWNAN, GA		\$94,510	0	\$300	\$92,957
04-011-0649-AT 89/09/15	FmHA - COUNTY OFFICE OPERATIONS - MCDONOUGH, GA		\$102,140	0	0	\$106,500

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04-011-0650-AT 89/09/15	FmHA - COUNTY OFFICE OPERATIONS, CARTERSVILLE, GA		0	0	0	\$248,679
04-011-0651-AT 89/09/22	FmHA - COUNTY OFFICE OPERATIONS - EATONTON, GEORGIA		\$49,186	0	0	\$59,480
04-012-0378-KC 89/07/14	FmHA COUNTY OFFICE OPERATIONS LAWRENCE, KS		\$31,278	\$31,278	0	\$306,000
04-012-0379-KC 89/06/27	FmHA COUNTY OFFICE OPERATIONS, ATCHISON, KS		0	0	0	0
04-012-0380-KC 89/06/28	AUDIT OF COUNTY OPERATIONS, HAYS, KS		\$64,645	\$64,645	0	0
04-012-0381-KC 89/07/14	AUDIT OF FmHA CO OFFICE OPERATIONS, HUTCHINSON, KS		\$20,548	\$20,548	0	\$75,000
04-099-0069-HY 89/05/30	GREAT ATLANTIC MORTGAGE CORP. PR		0	0	0	0
04-099-0076-SF 89/09/27	FINANCIAL AUDIT OF EVERSOLE MORTUARY INC.		0	0	0	0
04-099-0098-KC 89/09/07	FmHA SERVICING OF GRANTS TO WATER AND SEWER DISTRICT IN MILES CITY, MT		0	0	0	0
04-099-0102-KC 89/07/27	AUDIT OF LIQUIDATION OF GUARANTEED B & I LOAN TO AMERICAN GASOHOL		0	0	0	0
04-099-0143-TE 89/05/22	FmHA INTEREST ACCURAL ON DELINQUENT LOANS OVER 90 DAYS, WASH, DC		0	0	\$8,378,513	0
04-099-0145-TE 89/04/24	FmHA-HPGP-GUADALUPE ECO. SERVICE CORP. - LUBBOCK, TX.		\$133,360	\$129,350	0	0
04-099-0146-TE 89/06/22	FmHA SURVEY OF COMMUNITY PROGRAM LOAN GRADUATION		\$18,996,534	\$10,114,780	0	0
04-099-0147-TE 89/08/10	FmHA GUARANTEED B&I LOAN TO LEE-VAC, INC.		\$4,007,890	0	0	0
04-099-0149-TE 89/05/10	FmHA B&I LOAN TO GULF COAST WOOD PRODUCTS CUERO, TX		\$4,350,000	0	0	0
04-099-0150-TE 89/04/28	FmHA SPECIAL ACCOUNT REVIEW, TEMPLE, TX		\$71	0	0	0
04-099-0282-AT 89/07/31	FmHA - PROMPTNESS STANDARDS FOR LOAN APPROVALS AND APPEALS		0	0	0	0
04-099-0283-AT 89/09/29	FmHA - ECONOMIC DECISIONS FOR PROPERTY ACQUISITIONS - SURVEY		0	0	\$15,800	\$86,748
04-099-0284-AT 89/08/16	FmHA - MANUFACTURED HOUSING		0	0	0	0
04-099-0285-AT 89/04/25	FmHA - DEFEASANCE OF COMMUNITY PROGRAM LOANS		0	0	0	0
04-099-0292-AT 89/06/07	FmHA - LIQUIDATION OF B&I LOAN, RALEIGH, NC		0	0	0	0
04-099-0298-AT 89/09/27	FmHA - STATE AND COUNTY OFFICE OPERATIONS GEORGIA		0	0	0	0
04-545-0025-HY 89/09/28	NCAL PREAWARD CONTRACT AUDIT		0	0	0	0
04-545-0026-HY 89/09/29	ROI PREAWARD CONTRACT AUDIT		0	0	\$4,500	0
04-600-0001-SF 89/08/17	FmHA - RURAL RENTAL HOUSING PROGRAM COMPLIANCE		0	0	0	0
04-600-0001-TE 89/09/27	AUDIT OF FmHA RURAL RENTAL HOUSING PROGRAM RENTAL ASSISTANCE IN LOUISIANA		\$10,075	0	0	0
04-669-0002-FM 89/09/29	FmHA PROBLEMS NATIONWIDE REVIEW		0	0	\$1,794,000	0

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04-671-0001-KC 89/09/29	APPRAISAL AND SALE OF FARM INVENTORY PROPERTY MO STATE FmHA		0	0	0	\$20,756,423
04-673-0005-SF 89/09/07	FmHA DEBT RESTRUCTURING FOR DELINQUENT BORROWERS - PROCESS. OF BORROWER APPLICATIONS		0	0	0	0
TOTAL: FARMERS HOME ADMINISTRATION		33	\$27,879,622	\$10,379,986	\$10,259,678	\$21,731,787
AGENCY - FCIC FEDERAL CROP INSURANCE CORPORATION						
05-099-0001-FM 89/08/18	FINANCIAL ACCOUNTING INTERFACES BETWEEN FCIC AND CHIAA		0	0	0	\$10,000
05-099-0001-HY 89/04/21	FCIC - POLICY NO. 45-061-3205		0	0	0	0
05-099-0002-HY 89/06/07	FCIC POLICY NO.46553-CROP YEAR 1988		0	0	0	0
05-099-0008-SF 89/05/18	FCIC - 1988 CROP YEAR INSURANCE CONTRACTS (POLICY NO. 46-413-01793)		\$947	0	0	0
05-099-0010-CH 89/07/21	FCIC-POLICY NO. 02023 YELLOW MEDICINE COUNTY, MN		\$311	0	0	0
05-099-0011-CH 89/04/21	FCIC-POLICY NO. 001178 ASCS-YELLOW MEDICINE COUNTY, MN		0	0	0	0
05-099-0012-AT 89/09/01	FCIC - PEANUT REINSURANCE CLAIMS IN SELECTED GEORGIA COUNTIES		\$88,815	0	0	0
05-099-0012-CH 89/04/13	FCIC-POLICY NO. 3212 ASCS-CROOKSTON COUNTY, MN		0	0	0	0
05-099-0013-AT 89/06/14	FCIC - THURSTON FIRE AND CASUALTY - POLICY NO. 43469		\$8,497	0	0	0
05-099-0013-CH 89/04/14	FCIC POLICY NO. 41080		0	0	0	0
05-099-0014-AT 89/08/23	FCIC - NATIONAL AG. UNDERWRITERS POLICY NO. 16-047-38351		\$7,845	0	0	0
05-099-0014-CH 89/04/25	FCIC POLICY NO. 01669		\$465	0	0	0
05-099-0015-AT 89/06/13	FCIC - THURSTON FIRE AND CASUALTY - POLICY NO. 28-019-29985		0	0	0	0
05-099-0015-CH 89/09/29	AUDIT OF FCIC CONTROLS OVER THE INSURANCE OF SEED CORN PRODUCTION		\$359,291	0	\$320,769	0
05-099-0016-AT 89/07/18	FCIC - NATIONAL ASSOCIATION OF CROP INS. AGENTS - POLICY NO. 13-031-44372		\$80	0	0	0
05-099-0016-CH 89/07/26	FCIC-POLICY NO. 00141 WEST POLK COUNTY, MN		\$1,173	0	0	\$4,640
05-099-0017-AT 89/08/09	FCIC - THURSTON FIRE AND CASUALTY - POLICY NO. 43802		0	0	0	0
05-099-0017-CH 89/07/18	FCIC-POLICY NO. 02589 BROWN COUNTY, MN		\$1,060	0	0	0
05-099-0018-CH 89/07/10	FCIC-POLICY NO. 03943 NOBLES COUNTY, MN		\$2,114	0	0	0
05-099-0019-CH 89/04/27	FCIC-POLICY NO. 84242 WAYNE COUNTY, IL		0	0	0	0
05-099-0021-CH 89/07/18	FCIC-POLICY NO. 01638 BROWN COUNTY, MN		0	0	0	0
05-099-0022-CH 89/07/21	FCIC-POLICY NO. 65942 TRAVERSE COUNTY, MN		0	0	0	0

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05-099-0024-CH 89/09/07	FCIC-POLICY NO. 85199 LIVINGSTON COUNTY, IL		\$1,395	0	0	0
05-099-0025-CH 89/09/15	FCIC-POLICY NO. 03547 MARSHALL COUNTY, MINNESOTA		0	0	0	\$127
05-099-0026-CH 89/09/07	FCIC-POLICY NO. 02922 MARSHALL COUNTY, MN		\$2,296	0	0	\$160
05-099-0027-CH 89/09/14	FCIC-POLICY NO. 66816 WARREN COUNTY, IL		0	0	0	\$1,855
05-099-0030-KC 89/09/23	FCIC 1988 ACTUAL PRODUCTION HISTORY PROGRAM		0	0	0	0
05-099-0030-TE 89/04/06	FCIC POLICY NO. 40-151-09991, WOODS CO., OK.		\$1,200	0	0	0
05-099-0032-KC 89/07/24	FCIC CLAIMS, POLICY NO. 30-027-00865, FERGUS COUNTY, MT.		0	0	0	0
05-099-0032-TE 89/07/31	FCIC CROP HAIL ADJUSTED CLAIMS BY PRODUCERS WHO RECEIVED LARGE ASCS PAYMENTS		\$76,711	\$36,872	0	0
05-099-0033-KC 89/07/14	FCIC CLAIMS, POLICY NO. MP-01485, LIBERTY COUNTY, MT.		0	0	0	0
05-099-0034-KC 89/08/24	FCIC CLAIM CONTRACT NO. 33-017-50709-FO CASS COUNTY, ND		\$490	0	0	\$193
05-099-0035-CH 89/08/30	FCIC-POLICY NO. 28135 CHIPPEWA COUNTY, MN		0	0	0	0
05-099-0035-KC 89/08/23	FCIC CLAIM POLICY NO.33-000-51064-FO MCLEAN COUNTY, ND		\$955	0	0	\$1,090
05-099-0035-TE 89/06/02	FCIC POLICY NO. 22-001-26205 ACADIA PARISH, LA		0	0	0	0
05-099-0036-KC 89/09/11	FCIC CLAIMS POLICY NUMBER 25-416-01485 LIBERTY, MT		\$1,960	0	0	\$3,389
05-099-0036-TE 89/08/10	FCIC POLICY NO. 27-069-02305, KITTSON CO. MN		\$900	0	0	\$949
05-099-0037-CH 89/08/30	FCIC-POLICY NO. 03596 SWIFT COUNTY, MN		0	0	0	0
05-099-0037-KC 89/08/04	FCIC CLAIMS, POLICY NO. 30-051-37260, LIBERY COUNTY, MT.		0	0	0	0
05-099-0037-TE 89/09/01	FCIC POLICY NO. 17-167-03365, SANGAMON CO., IL		\$39,989	0	0	\$85,699
05-099-0038-TE 89/06/01	FCIC POLICY NO. 48-201-44389, HARRIS CO., TX		0	0	0	0
05-099-0039-KC 89/09/12	FCIC CLAIMS, 30-015-80024 CHOUTEAU COUNTY MT.		\$2,199	0	0	\$12
05-099-0040-KC 89/08/10	FCIC CLAIMS, 30-105-01080 VALLEY COUNTY, MT		0	0	0	0
05-099-0040-TE 89/08/04	FCIC POLICY NO. 18-077-83133, JEFFERSON COUNTY, IN		0	0	0	0
05-099-0041-KC 89/08/22	FCIC CLAIM POLICY NO. 21215 LUCAS COUNTY, IOWA		\$1,763	0	0	\$913
05-099-0041-TE 89/06/14	FCIC POLICY NO. 18-077-25777, JEFFERSON COUNTY, IN		0	0	0	0
05-099-0042-CH 89/09/14	FCIC-POLICY NO. 03496 FULTON COUNTY, IL		\$1,856	0	0	0
05-099-0042-KC 89/08/29	FCIC CLAIMS, SHERIDAN, MT		0	0	0	0
05-099-0043-KC 89/09/11	FCIC CLAIMS, WILLIAMS COUNTY, ND		0	0	0	0

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05-099-0043-TE 89/09/25	MPCI POLICY NO. 13-041-00553 FAYETTE COUNTY, IN		\$1,795	0	0	\$639
05-099-0044-CH 89/09/29	FCIC-POLICY NO. 82409 RICHLAND COUNTY, IL		\$206	0	0	\$422
05-099-0044-KC 89/08/11	FCIC CLAIMS BOWMAN COUNTY, ND		0	0	0	0
05-099-0044-TE 89/08/04	FCIC - POLICY NO. 27-117-80901 PIPE STONE CO., MN		0	0	0	0
05-099-0045-CH 89/09/07	FCIC-POLICY NO. 22648 HANCOCK COUNTY, OH		\$14	0	0	\$1,591
05-099-0045-KC 89/05/31	FCIC CLAIMS, WALSH COUNTY, ND		0	0	0	0
05-099-0045-TE 89/07/20	FCIC POLICY NO. 17-191-48806 WAYNE CO., IL		0	0	0	\$110
05-099-0046-KC 89/08/23	FCIC CLAIMS CONTRACT NO 33-836-034729 GRANT COUNTY, ND		0	0	0	0
05-099-0046-TE 89/06/15	FCIC POLICY NO 17-147-00383 PIATT CO, IL		0	0	0	0
05-099-0047-KC 89/08/30	FCIC CLAIMS, POLICY NO. MP-22241, ADAIR COUNTY, IA		0	0	0	0
05-099-0047-TE 89/06/15	MPCI POLICY 45-175-07496, SOUTHAMPTON CO., VA		0	0	0	0
05-099-0048-KC 89/09/12	FCIC CLAIMS POLICY NO. MP-26082 BENTON COUNTY, IA		0	0	0	0
05-099-0049-KC 89/08/31	FCIC CLAIMS CONTRACT NO.14-183-001525 WASHINGTON COUNTY, IA		\$590	0	0	\$602
05-099-0049-TE 89/07/19	FCIC POLICY NO. 18-091-81453, LAPORTE CO., IN		0	0	0	0
05-099-0050-KC 89/09/07	FCIC CLAIMS, RICHLAND COUNTY, ND		\$32	0	0	\$32,942
05-099-0050-TE 89/07/20	FCIC POLICY NO. 35-009-63248, CURRY CO., NM		0	0	0	0
05-099-0051-KC 89/08/16	FCIC CLAIMS, LAMOURE COUNTY, ND		\$4,179	0	0	\$4,599
05-099-0052-KC 89/08/17	FCIC CLAIMS, CASS COUNTY, ND		0	0	0	0
05-099-0053-KC 89/07/14	FCIC CLAIMS CONTRACT NO 25-416-05035 LIBERTY COUNTY, MT		0	0	0	0
05-099-0054-KC 89/08/17	FCIC CLAIMS, STORY COUNTY, IA		\$528	0	0	0
05-099-0055-KC 89/07/27	FCIC CLAIMS POLICY NO. 30-041-95927 HILL COUNTY, MT.		\$725	0	0	0
05-099-0057-KC 89/07/14	FCIC CLAIMS POLICY NO. MP-07367, CEDAR COUNTY, IA		0	0	0	0
05-099-0058-KC 89/08/25	FCIC CLAIMS POLICY NO. MP-06404, KEOKUK, COUNTY, IA		\$6,333	0	0	\$6,624
05-099-0059-KC 89/09/13	FCIC CLAIMS POLICY NO. 19-149-00283, PLYMOUTH COUNTY, IA		\$11,838	0	0	\$8,577
05-099-0060-KC 89/08/23	FCIC CLAIMS, CONTRACT NO 30-085-92370 ROOSEVELT CNTY, MT.		0	0	0	0
05-099-0061-KC 89/08/21	FCIC CLAIMS, MCLEAN CNTY, ND		\$1,879	0	0	\$1,896
05-099-0062-KC 89/09/23	FCIC CLAIMS, POLICY NO. 30-105-00507 VALLEY COUNTY, MT.		\$135	0	0	\$5

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05-099-0063-KC 89/09/29	FCIC CLAIMS, POLICY NO. MP-31630 CERRO GORDO COUNTY, IA		\$4,013	0	0	\$1,285
05-099-0064-KC 89/08/29	FCIC CLAIMS, POLICY NO. MP-02763, JEFFERSON COUNTY, IA.		0	0	0	0
05-099-0066-KC 89/08/29	FCIC CLAIMS, EDDY COUNTY, ND		0	0	0	0
05-099-0067-KC 89/09/06	FCIC CLAIMS, POLICY NO. MP-03462 BOONE COUNTY IA.		\$2,836	0	0	\$419
05-099-0068-KC 89/08/31	FCIC CLAIMS, POLICY NO MP-51107, BUCHANAN COUNTY		\$1,623	0	0	\$4,980
05-099-0069-KC 89/09/06	FCIC CLAIMS, POLICY NO. MP-12708, GREENE COUNTY, IA		0	0	0	0
05-099-0071-KC 89/08/31	FCIC CLAIMS, POLICY NO. MP-01328, CUMING COUNTY, NE.		\$144	0	0	0
05-099-0072-KC 89/08/16	FCIC CLAIMS, POLICY NO. MP-01216 WASHINGTON COUNTY, NE		\$179	0	0	\$184
05-099-0073-KC 89/08/31	FCIC CLAIMS, POLICY NO. MP-36367, CLAY COUNTY NE.		\$3,942	0	0	\$8,071
05-099-0074-KC 89/07/24	FCIC CLAIMS, POLICY NO. 31-033-28588, CHEYENNE, NE		0	0	0	0
05-099-0075-KC 89/08/16	FCIC CLAIMS, BENNETT COUNTY, SD		0	0	0	0
05-099-0076-KC 89/07/13	FCIC CLAIMS, DAY COUNTY, SD		0	0	0	0
05-099-0077-KC 89/07/31	FCIC CLAIMS, STEELE COUNTY, ND		0	0	0	0
05-099-0078-KC 89/08/29	FCIC CLAIMS, WARD COUNTY, ND		\$210	0	0	\$213
05-099-0079-KC 89/09/15	FCIC CLAIMS, MONROE COUNTY, MO		\$2,179	0	0	\$1,804
05-099-0080-KC 89/07/31	FCIC CLAIMS, OSAGE COUNTY, KS		0	0	0	0
05-099-0081-KC 89/08/17	FCIC CLAIMS DONIPHAN COUNTY, KS		0	0	0	0
05-099-0082-KC 89/09/06	FCIC CLAIMS, POLICY NO. 6109 STUTSMAN COUNTY ND		\$507	0	0	\$519
05-099-0083-KC 89/07/31	FCIC CLAIMS POLICY NO. 24699 WICHITA COUNTY KS		0	0	0	0
05-099-0084-KC 89/08/29	FCIC CLAIMS POLICY NO. 3474 WARD COUNTY ND		0	0	0	0
05-099-0085-KC 89/08/16	FCIC CLAIMS POLICY NO. 95784, CHOUTEAU COUNTY, MT		0	0	0	0
05-099-0086-KC 89/08/21	FCIC CLAIMS POLICY NO. 28144 DIVIDE COUNTY ND		\$604	0	0	\$364
05-099-0087-KC 89/09/28	FCIC CLAIMS POLICY NO. 1636 CHOUTEAU COUNTY MT		\$1,888	0	0	\$1,928
05-099-0088-KC 89/09/01	FCIC CLAIMS POLICY NO. 15419 CERRO GORDO, IA		0	0	0	0
05-099-0089-KC 89/08/23	FCIC CLAIMS POLICY NO. 12228 LOUISA COUNTY IA		0	0	0	0
05-099-0091-KC 89/09/28	FCIC CLAIMS POLICY NO. 8764 BIG HORN COUNTY MT		\$64,711	0	0	\$38,589
05-099-0092-KC 89/08/24	FCIC CLAIMS POLICY NO. 55956 GRANT COUNTY ND		\$459	0	0	\$229

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05-099-0093-KC 89/08/31	FCIC CLAIMS POLICY NO. 53637 WALSH COUNTY ND		\$1,907	0	0	\$1,114
05-099-0096-KC 89/09/11	FCIC CLAIMS POLICY NO. 02518 CRAWFORD COUNTY, IA		\$2,279	0	0	0
05-099-0097-KC 89/08/21	FCIC CLAIMS POLICY NO. 80145 BON HOMME COUNTY, SD		0	0	0	0
05-600-0001-TE 89/09/29	FCIC CROP INSURANCE CONTRACTS - CROP YEAR 1988		0	0	0	\$86,837,328
TOTAL: FEDERAL CROP INSURANCE CORPORATION		107	\$718,047	\$36,872	\$320,769	\$87,064,061
AGENCY - ES EXTENSION SERVICE						
06-004-0013-AT 89/07/03	ES NORTH CAROLINA A&T, GREENSBORO, NC		\$26,766	\$855	0	0
TOTAL: EXTENSION SERVICE		1	\$26,766	\$855	0	0
AGENCY - FAS FOREIGN AGRICULTURAL SERVICE						
07-099-0018-HY 89/09/29	AUDIT OF EXPORT ENHANCEMENT PROGRAM		0	0	\$10,963,142	0
07-099-0021-HY 89/09/29	EXPORT OF FOREIGN COMMODITIES UNDER GSM-102 & 103 PROGRAMS		0	0	\$169,200,000	0
TOTAL: FOREIGN AGRICULTURAL SERVICE		2	0	0	\$180,163,142	0
AGENCY - FS FOREST SERVICE						
*08-091-0001-AT 89/04/07	AUDIT OF FRENCHBURG JOB CORPS CENTER, FOR THE YEAR ENDED JUNE 30, 1987		0	0	0	0
*08-091-0002-AT 89/04/07	AUDIT OF JACOBS CREEK JOB CORPS CENTER, FOR THE YEAR ENDED JUNE 30, 1987		0	0	0	0
*08-091-0003-AT 89/04/07	AUDIT OF L.B. JOHNSON CIVILIAN CONSERVATION JOB CORPS CENTER, FOR FYE JUNE 30, 1987		0	0	0	0
*08-091-0004-AT 89/04/07	AUDIT OF CASS CIVILIAN CONSERVATION CENTER, FOR THE YEAR ENDED JUNE 30, 1987.		0	0	0	0
08-099-0011-FM 89/09/28	FS AUTOMATED PURCHASE ORDER SYSTEM - INTERNAL CONTROLS		0	0	0	0
08-099-0033-AT 89/07/05	PROPRIETY OF ACCOUNTING ADJUSTMENTS WITHIN FS'S ACCOUNTING SYSTEM AND SUBSYSTEMS		0	0	0	0
08-099-0034-AT 89/09/26	MONITORING OF DEFICIT UNOBLIGATED BALANCES		0	0	\$23,980,799	0
08-099-0095-SF 89/09/28	FS ADMIN OF TIMBER SALE OPERATIONS -PACIFIC NORTHWEST REGION		0	0	0	0
08-099-0096-SF 89/09/11	FS - CONTROL OF UNEMPLOYMENT COMPENSATION COST		0	0	0	0
08-099-0102-SF 89/06/27	FS-FEDERAL EXCESS PERSONAL PROPERTY PROGRAM		0	0	0	0
08-545-0020-HY 89/06/30	PRISM CORPORATION-AUDIT OF CONTRACT TERMINATI ON AGREEMENT		0	0	\$90,608	0
*08-545-0041-SF 89/04/27	PREAWARD REVIEW - BENCO-LUGO JOINT VENTURE FEDERAL WAY, WA		0	0	\$56,724	0
*08-545-0042-SF 89/07/10	AUDIT OF TERM. SETTLEMENT PROPOSAL SUBMITTED BY ELLETT CONSTRUCTION CO AGAINST THE FS		0	0	\$402,495	0

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*08-545-0043-SF 89/09/13	FOREST SERVICE-PREAWARD REVIEW-CENTRAL AIR SERVICE, INC. TUCSON, AZ		0	0	\$207,293	0
	TOTAL: FS FOREST SERVICE	14	0	0	\$24,737,919	0
AGENCY - REA RURAL ELECTRIFICATION ADMINISTRATION						
09-099-0007-CH 89/09/29	SPECIAL REQUEST AUDIT OF MONTEZUMA MUTUAL TELEPHONE COMPANY		0	0	0	0
	TOTAL: RURAL ELECTRIFICATION ADMINISTRATION	1	0	0	0	0
AGENCY - SCS SOIL CONSERVATION SERVICE						
*10-545-0021-TE 89/07/03	AUDIT OF CLAIM NO. 1, SCS CONTRACT NO. 50-733 7335-7-1, LABCO CONSTRUCTION, CHICKASHA, OK		\$484,206	\$484,206	0	0
10-545-0024-TE 89/08/24	CONTRACTOR CLAIM FOR NO. 50-7442-7-3692, ITEM 5A, QUARRY EXCAVATION		0	0	\$293,235	0
	TOTAL: SOIL CONSERVATION SERVICE	2	\$484,206	\$484,206	\$293,235	0
AGENCY - OFM OFFICE OF FINANCE AND MANAGEMENT						
11-099-0019-FM 89/09/29	FMFIA REVIEW - OFFICE OF FINANCE AND MANAGEMENT		0	0	0	0
	TOTAL: OFFICE OF FINANCE AND MANAGEMENT	1	0	0	0	0
AGENCY - CSRS COOPERATIVE STATE RESEARCH SERVICE						
13-004-0013-AT 89/09/08	CSRS - TUSKEGEE UNIVERSITY		\$263,354	\$15,523	0	0
	TOTAL: COOPERATIVE STATE RESEARCH SERVICE	1	\$263,354	\$15,523	0	0
AGENCY - OO OFFICE OF OPERATIONS						
23-099-0003-HY 89/09/29	CONTROLS OVER OFFICE SUPPLIES, OO, WASHINGTON, D.C.		0	0	0	0
23-545-0002-HY 89/07/19	INCURRED COST AUDIT-CANTEEN CORP.		0	0	0	0
*23-545-0003-HY 89/08/16	MISSO SERVICES COORP, TERMINATION AGREEMENT		\$1,904,155	\$1,904,155	0	0
*23-545-0004-HY 89/07/19	PRICING PROPOSAL-CANTEEN CORPORATION		0	0	0	0
	TOTAL: OO OFFICE OF OPERATIONS	4	\$1,904,155	\$1,904,155	0	0
AGENCY - FSIS FOOD SAFETY & INSPECTION SERVICE						
24-062-0006-SF 89/09/01	FSIS-MEAT AND POULTRY INSPECTION OPNS AGENCY REVIEW OF CONFLICT OF INTEREST STATEMENTS		0	0	0	0
*24-092-0023-HY 89/05/09	WVA DEPT OF AG-INDIRECT COST PROP. FY 1986&87		\$2,522,280	0	0	0

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24-092-0024-HY 89/05/09	DELAWARE INDIRECT COST PROPOSAL		0	0	0	0
24-608-0004-AT 89/04/27	FSIS EVAL OF POULTRY SLAUGHTER INSPECTION, WASHINGTON, DC		0	0	0	0
TOTAL: FOOD SAFETY & INSPECTION SERVICE		4	\$2,522,280	0	0	0
AGENCY - FNS FOOD AND NUTRITION SERVICE						
27-002-0019-HY 89/09/29	FOOD DISTRIBUTION PROGRAM MANAGEMENT AND CONTROLS-HARRISBURG,PENNSYLVANIA		0	0	\$391,562	0
*27-002-0024-KC 89/06/01	NORTH DAKOTA DEPARTMENT OF PUBLIC INSTRUCTION, BISMARCK, ND		\$4,814	0	0	0
*27-002-0025-KC 89/06/09	SD DIVISION OF ELEMENTARY AND SECONDARY EDUCATION, PIERRE, SD		0	0	0	\$621
*27-005-0045-KC 89/06/02	TURTLE MOUNTAIN BAND OF CHIPPEWA INDIANS, BELCOURT, ND		0	0	0	0
*27-005-0046-KC 89/06/02	THREE AFFILIATED TRIBES, FORT BERTHOLD, ND		0	0	0	0
*27-005-0047-KC 89/06/01	STANDING ROCK SIOUX TRIBE, FORT YATES, ND		0	0	0	0
*27-005-0048-KC 89/06/01	DEVIL'S LAKE SIOUX TRIBE, FORT TOTTEN, ND		0	0	0	0
*27-005-0049-KC 89/06/01	LOWER BRULE SIOUX TRIBE, LOWER BRULE, SD		0	0	0	0
*27-005-0050-KC 89/06/01	ROSEBUD SIOUX TRIBE, ROSEBUD, SD		0	0	0	0
*27-005-0051-KC 89/06/09	FNS, FDP, CROW CREEK SIOUX TRIBE FORT THOMPSON, SD		0	0	0	0
27-013-0047-CH 89/09/26	MICHIGAN FOOD STAMP PROGRAM STATE COORDINATED AUDIT		\$71,295	0	\$9,301,005	0
27-019-0038-HY 89/09/28	REDEMPTION ACCOUNTABILITY PILOT		0	0	0	0
*27-022-0020-KC 89/06/06	FNS CNP CO DEPT OF HEALTH, DENVER, CO		0	0	0	0
*27-022-0021-KC 89/06/01	FNS CNP NE DEPT OF EDUCATION, LINCOLN, NE		0	0	0	0
*27-022-0022-KC 89/05/10	FNS - CNP UT OFFICE OF EDUCATION, SALT LAKE CITY, UT		\$356	0	0	0
27-022-0044-HY 89/05/09	AUDIT OF NYSTATE SCHOOL LUNCH PROGRAM		\$488,082	0	0	0
27-023-0200-AT 89/08/31	FNS CHILD NUTRITION PROGRAMS - KNOX COUNTY SCHOOLS		\$14,921	0	0	0
27-023-0250-TE 89/04/11	REVIEW OF RAPIDES PARISH SCHOOL BOARD NSLP OPERATIONS, ALEXANDRIA, LA		0	0	0	0
27-023-0252-TE 89/07/10	FNS NSLP CALCASIEU PARISH SCHOOL BOARD LAKE CHARLES, LOUISIANA		0	0	0	0
*27-025-0007-KC 89/05/16	FNS, CCFP - RAINBOW'S END, WEST JORDAN, UT		\$3,686	\$3,686	0	0
*27-025-0008-KC 89/05/15	FNS, CCFP - NANNY DAY CARE, INC. WEST JORDAN, UT		\$2,677	0	0	0
*27-025-0009-KC 89/05/12	FNS, CCFP, MURRAY DAY SCHOOL, MURRAY, UT		\$909	0	0	0

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27-025-0034-TE 89/04/11	FNS CCFP FDCH NUTRISERVICE DALLAS, TX		\$7,852	\$2,635	0	0
27-025-0035-TE 89/04/12	FNS CCFP FDCH NUTRITIONAL ADVANTAGE, INC. EUL ESS, TX		\$3,993	0	0	0
27-025-0037-TE 89/05/04	FNS CCFP BARKSDALE AFB CHILD CARE CENTER, BOSSIER CITY, LA		0	0	0	0
27-025-0038-TE 89/08/18	FNS, CCFP, S. BATON ROUGE CHILD DEVELOPMENT CENTER, BATON ROUGE, LA		\$131	0	0	0
*27-026-0043-KC 89/09/20	FNS NSLP THE SINGER INSTITUTE, ST. LOUIS, MO		\$16,365	\$16,365	0	0
*27-029-0190-HY 89/04/13	FNS CCFP ROCHESTER CHILDREN'S NURSERY		\$726	0	0	0
*27-029-0420-KC 89/06/29	FNS, CCFP, EVANGELICAL CHILDRENS HOME (51393) ST LOUIS, MO		\$174	0	0	0
*27-029-0421-KC 89/06/21	FNS, CCFP, GEO WASH CARVER NBRHD CTR (51415) KANSAS CITY MO		\$171	\$150	0	0
*27-029-0422-KC 89/07/11	FNS, CCFP, OPERATION BREAKTHROUGH INC (53640) KANSAS CITY, MO		0	0	0	0
*27-029-0424-KC 89/07/11	FNS, CCFP, KINGDOM HOUSE DAY CARE CENTER (533710) ST. LOUIS, MO		\$849	\$692	0	0
*27-029-0425-KC 89/07/10	FNS, CCFP, LUTHERAN FAMILY AND CHILD SRV (540 (54051) ST. LOUIS, MO		\$140	0	0	0
*27-029-0426-KC 89/07/11	FNS, CCFP, EARLY CHILD CARE DEVELOPMENT (5449 (54496) ST. LOUIS, MO		\$3,862	\$3,862	0	0
*27-029-0427-KC 89/07/11	FNS, CCFP, ST MARTINS CHILD CARE CENTER (54497) KINLOCH, MO		0	0	0	0
*27-029-0428-KC 89/04/13	FNS, CCFP, MO VALLEY HUMAN RES HD START (56609) MARSHALL, MO		0	0	0	0
*27-029-0429-KC 89/08/02	FNS, CCFP, CENTRAL MO CO HUMAN DEVE CORP (56612) COLUMBIA, MO		0	0	0	0
*27-029-0430-KC 89/04/03	FNS, CCFP WEST CENT MO RURAL DEV (56620) APPLETON CITY, MO		0	0	0	0
*27-029-0431-KC 89/06/29	FNS, CCFP, COMMUNITY SVCS INC OF NW MO (56647) MARYVILLE, MO		0	0	0	0
*27-029-0432-KC 89/06/29	FNS, CCFP, OZARK ACTION INC (56654) WEST PLAINS, MO		0	0	0	0
*27-029-0434-KC 89/08/02	FNS, CCFP, NORTHWEST DAY CARE CENTER (56920) WELLSTON MO		0	0	0	0
*27-029-0435-KC 89/07/11	FNS, CCFP, LEARNING TREE DAY NURSERY INC (57092) ST LOUIS, MO		\$449	\$449	0	0
*27-029-0437-KC 89/07/11	FNS, CCFP, ST MARKS/UICS DAY CARE CTR (57392) KANSAS CITY MO		\$220	0	0	0
*27-029-0441-KC 89/07/11	FNS, CCFP, EPWORTH WINSOR DAY CARE CTR (61443) ST LOUIS, MO		\$1,344	0	0	0
*27-029-0442-KC 89/06/01	FNS, CCFP, GREATER ST LUKES MB CHURCH (61453) ST LOUIS, MO		\$593	0	0	0
*27-029-0443-KC 89/07/10	FNS, CCFP, ALLEN CHAPEL AME CHURCH (61594) KANSAS CITY, MO		\$2,689	0	0	0
*27-029-0444-KC 89/05/15	FNS, CCFP, COX DAY CARE CENTER (65290) SPRINGFIELD, MO		\$103	0	0	0
*27-029-0445-KC 89/04/13	FNS, CCFP, CREATIVE PLAYHOUSE (65295) SEDALIA, MO		0	0	0	0
*27-029-0446-KC 89/05/10	FNS, CCFP COUNTRY CARE PRESCHOOL (65358) NEOSHO, MO		0	0	0	0

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*27-029-0447-KC 89/07/11	FNS, CCFP, LITTLE ANGELS DAY CARE CTR (65360) KANSAS CITY MO		\$3,552	\$3,416	0	0
*27-029-0448-KC 89/07/11	FNS, CCFP, CARR SQUARE TENANT MGT CORP (65376) ST LOUIS, MO		0	0	0	0
*27-029-0450-KC 89/07/10	FNS, CCFP, NE MISSOURI COMM ACT AGENCY (65385) KIRKSVILLE, MO		0	0	0	0
*27-029-0451-KC 89/06/29	FNS, CCFP, DEPT WELFARE CHILD NUTRITION (65386) ST LOUIS, MO		\$743	0	0	0
*27-029-0452-KC 89/07/10	FNS, CCFP, SMALL WORLD PRESCHOOL (65401) ST LOUIS, MO		\$3,823	0	0	0
*27-029-0453-KC 89/04/13	FNS, CCFP, WEE CARE PRESCH DCC (65443) ELDORADO SPRINGS, MO		\$345	\$345	0	0
*27-029-0454-KC 89/07/11	FNS, CCFP, THE CHILDREN ACADEMY (65456) ST LO UIS MO		\$201	0	0	0
*27-029-0455-KC 89/04/13	FNS, CCFP LEARNING AND FUN PRESCHOOL (65467) KC, MO		\$2,066	\$2,066	0	0
*27-029-0456-KC 89/07/11	FNS, CCFP, SUNSHINE ACADEMY DCC (65511) ST LO UIS MO		\$94	0	0	0
*27-029-0457-KC 89/06/29	FNS, CCFP, CHILDRENS WORLD OF AVA (65522) AVA MO		0	0	0	0
27-031-0019-AT 89/08/18	FNS - WIC ADMINISTRATIVE COSTS		\$764,336	\$764,336	\$320,888	0
27-031-0023-HY 89/04/26	VI WIC PROGRAM		\$90,370	\$26,290	0	0
*27-032-0006-KC 89/05/12	WIC AUDIT OF SEK-CAP, (10/86-88) GIRARAD,KS		\$8,817	\$8,817	0	0
27-099-0025-SF 89/06/20	FNS FOOD SERVICE MANAGEMENT COMPANIES IN THE NSLP-NATIONAL		0	0	0	0
*27-099-0058-HY 89/09/11	INTEREST EXPENSE APPLICABLE TO CAPITAL LEASE AGREEMENTS, STATE OF MARYLAND, DHR		\$112,489	0	0	0
27-099-0080-CH 89/09/22	AUDIT OF ILLINOIS CURRENCY EXCHANGES		\$4,259	0	\$1,900,000	0
27-541-0006-SF 89/09/28	FNS - CALIFORNIA DSS-ADP COST REPORTING AND SAWS STANDARDS REVIEW		0	0	0	0
27-541-0034-AT 89/06/27	MISSISSIPPI PROPOSED INTERACTIVE FOOD STAMP APPLICATION FOR MAVERICS		0	0	0	0
27-541-0035-AT 89/09/27	MISSISSIPPI FOOD STAMP PROGRAM COMPUTER SYSTEM - POST INSTALLATION REVIEW		0	0	0	0
27-541-0036-AT 89/09/20	FOOD AND NUTRITION SERVICE AUDIT OF THE PHYSICAL SECURITY OF THE SC AOP CENTER		0	0	0	0
*27-545-0068-HY 89/09/05	PREAWARD AUDIT-ABACUS TECHNOLOGY		0	0	\$114,196	0
27-555-0003-AT 89/05/10	FNS - ALABAMA FOOD STAMP PROG. ERROR REDUCTION & CLAIMS MANAGEMENT		\$405,965	\$405,965	\$21,688,159	0
27-555-0004-AT 89/09/28	FNS SOUTH CAROLINA FOOD STAMP PROGRAM - ERROR RATE REDUCTION		0	0	\$4,611,747	0
27-600-0001-CH 89/08/23	WIC ELIGIBILITY, INCOME VERIFICATION, AND CERTIFICATION		0	0	\$69,578	0
27-600-0001-SF 89/09/25	FNS-FOOD STAMP PROGRAM ADMINISTRATIVE COSTS- STATE OF CALIFORNIA		\$19,305	0	0	0
TOTAL: FOOD AND NUTRITION SERVICE		74	\$2,042,766	\$1,239,074	\$38,397,135	\$622

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AGENCY - APHIS ANIMAL & PLANT HEALTH INSPECTION SERVICE						
*33-545-0009-KC 89/09/21	APHIS AUDIT OF CONTRACT TERMINATED FOR CONVEN., DAKOTA AG SERVICE, BRITTON, SD		0	0	\$20,528	0
TOTAL: ANIMAL & PLANT HEALTH INSPECTION SERVICE		1	0	0	\$20,528	0
AGENCY - OICD OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT						
44-010-0003-HY 89/09/29	REVIEW OF INTERNATIONAL TRAINING DIVISION RSSA		0	0	0	0
TOTAL: OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT			0	0	0	0
AGENCY - MULT MULTI-AGENCY						
50-010-0004-HY 89/09/29	OPERATIONS OF WELFARE & REC. ASSN.		0	0	\$51,209	0
50-010-0005-HY 89/09/29	REVIEW OF AGENCY METHODS OF HANDLING IMPREST FUNDS		0	0	0	0
50-099-0020-AT 89/05/17	FmHA UNAUTHORIZED USE OF INVENTORY PROPERTY		\$1,121,913	\$498,612	0	0
50-099-0044-TE 89/09/28	REVIEW OF NASS CONTROLS OVER THE COMPUTATION OF NATIONAL AVERAGE MARKET PRICES		0	0	0	0
*50-566-0008-AT 89/04/03	A-128 AUDIT OF SC FORESTRY COMMISSION FY'S 1985 & 1986		0	0	0	0
*50-566-0008-TE 89/08/30	OMB CIRCULAR A-128, AUDIT OF ARKANSAS FORESTRY COMMISSION		0	0	0	0
*50-566-0009-CH 89/08/10	SINGLE AUDIT OF THE STATE OF MINNESOTA		0	0	0	0
*50-566-0012-SF 89/04/17	A-128 AUDIT REPORT - CITY OF SAN JOSE, CALIFORNIA, FOR THE FYE 6/30/88		0	0	0	0
*50-566-0013-AT 89/05/25	A-128 AUDIT OF AL DEPT. OF AGRICULTURE AND INDUSTRIES, TWO FY'S ENDED 9/30/88		0	0	0	0
*50-566-0015-AT 89/07/12	A-128, AUDIT OF GEORGIA FORESTRY COMMISSION, FYE 6/30/88		0	0	0	0
*50-566-0015-KC 89/09/08	A-128, NEBRASKA DEPARTMENT OF AGRICULTURE, (FY ENDED 6/30/88), LINCOLN, NE		0	0	0	0
*50-566-0029-HY 89/08/02	1988 FISCAL YEAR SINGLE AUDIT-PENNSYLVANIA		\$678,042	\$678,042	0	0
*50-567-0029-HY 89/08/28	PUERTO RICO ELECTRIC POWER AUTHORITY A-128, SFYE 6/30/88		0	0	0	0
TOTAL: MULTI-AGENCY		13	\$1,799,955	\$1,176,654	\$51,209	0
TOTAL: RELEASED - NATIONWIDE		300	\$46,713,102	\$18,319,463	\$256,833,850	\$169,941,956
TOTAL: CONTRACT		71				

