United States
Department of
Agriculture

Office of
Inspector
General

April 1992

No. 27

Office of Inspector General Semiannual Report to Congress

FY 1992-First Half

UNITED STATES DEPARTMENT OF AGRICULTURE
OFFICE OF INSPECTOR GENERAL
WASHINGTON, D.C. 20250

April 30, 1992

Honorable Edward Madigan
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 March 31, 1992.

During this period, our audit and investigative efforts resulted in $93.6 million in recoveries and collections, $5.6 million in fines and restitutions, and $1.2 billion in management commitments to put funds to better use. We also identified $43 million in questioned costs that cannot be recovered. Our investigative efforts resulted in 426 indictments and 350 convictions.

This report describes the results of our most significant audits and investigations. During this reporting period, we continued our audit reviews of payment limitation provisions, computer security within the Department, and grocery retailer monitoring conducted by the Food and Nutrition Service. In addition, we examined indemnity payments made by the Federal Crop Insurance Corporation and enforcement of the Animal Welfare Act by the Animal and Plant Health Inspection Service. We also conducted reviews in the Department's three current High Risk Areas. We noted that while progress has been made by managers in many aspects of these programs, improvements are still needed. We have highlighted our work in these areas in a special "Focus" section of this report.

Our investigative efforts during this period resulted in some of the largest prosecutions in the Food Stamp Program to date, and a record fine in the meat inspection program. Our special agents also uncovered fraud in the Community Development and Disaster Assistance programs, and successfully investigated a number of cases involving assaults on Department employees.

Finally, we continued to implement the requirements of the Chief Financial Officers Act. We completed audits of the FY 1990 financial statements of the Commodity Credit Corporation, the FY 1991 financial statements of the Federal Crop Insurance Corporation, and the combined FY 1991 statements of the Rural Electrification Administration and the Rural Telephone Bank. In all three cases, we issued unqualified (clean) opinions; however, some accounting problems were noted.

Again, I appreciate the cooperation we have received from the Department's program managers, and look forward to continuing our mutual efforts in improving the efficiency and effectiveness of agriculture programs.

Sincerely,

Leon Snead
LEON SNEAD
Inspector General

Enclosure

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EXECUTIVE SUMMARY

This is the 27th 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 covers the period October 1, 1991, through March 31, 1992.

The following excerpts summarize the results of our work during this reporting period.

Entitlement Programs

- **FNS needs to strengthen monitoring of retail grocery stores to detect food stamp trafficking.** Because FNS did not update its monitoring files, it reduced the effectiveness of its computer system to identify retailers who may have violated the Food Stamp Program. (p. 8)

- **In the largest food stamp fraud prosecution to date,** a Toledo grocer was convicted of illegally redeeming **$7.2 million in food stamps** from 1985 to 1991. Sentencing is pending. (p. 9)

- Two individuals in Los Angeles were convicted of **illegally purchasing and redeeming $1.8 million in food stamps** over a 2-year period. This was the largest FSP case in the Los Angeles area to date. (p. 9)

- A Louisiana man pled guilty to **counterfeiting food stamps** valued at over $127,000. He was sentenced to 4 years in prison and ordered to pay a fine of $250,000. (p. 9)

- Members of a drug ring who **exchanged crack cocaine for food stamps** pled guilty to narcotics and trafficking charges. Sentences of up to 27 years have been ordered in the case. Other sentences are pending. (p. 10)

- **One State overdrew its food stamp cash advances by $5.5 million** because it did not properly determine its funding needs. **This State has also had its administrative funds suspended,** because it has not implemented wage-matching requirements. (p. 10)

Disaster and Deficiency Payments

- Audits disclosed that payment limitations continue to be violated. A scheme by one producer resulted in **improper payments of $1 million being made to partnership entities** that existed only on paper. (p. 11)

- Some **foreign landowners abused payment limitation rules** by establishing rent agreements that called for their tenants to pass their deficiency payments on to the landlords. (p. 11)

- **Almost half of the $3.1 million in disaster payments** ASCS made on cucumbers in one State **were based on false certifications by producers, incorrect yield amounts assigned by counties, and procedural errors committed by ASCS personnel.** In one county, county committee members and their relatives specifically benefited from the errors. (p. 12)

- A producer claimed $675,000 in ASCS benefits **even though he continued to convert wetlands to cropland** contrary to the law establishing conservation of wetlands and governing ASCS payments. (p. 13)

Consumer Protection

- **APHIS inspections of licensed animal dealers and research units were not always timely.** APHIS should focus its inspections on dealers with a history of violations and withhold license renewals if dealers do not correct abuses. (p. 15)

- Even though **12 percent of the retailers reviewed by AMS had misrepresented the USDA grades** on their meat products, AMS did not expand the scope of its reviews and did not refer violators for investigation. (p. 16)

- The president and two vice presidents of a New Jersey meat company were given prison sentences and **fined a total of $1 million for adulterating ham products, bribing USDA food inspectors and falsifying USDA records** over a 12-year period. **The firm was also fined $1 million.** (p. 16)

Forest Service

- FS methods to control "skewed" bidding, where loggers win a timber sale by intentionally bidding high on timber they will not cut or pay for, have not had the desired effect. **We computed a loss of over $750,000 potentially attributable to skewed bidding** on 42 recent sales in one FS region. (p. 17)

- **FS needs to better control its use of agency owned and contracted aircraft for passenger flights.** The FS uses its aircraft for this purpose for about 31 percent of its flying hours, yet it does not always justify the flights or compare their costs with commercial carriers to seek more economical transportation. (p. 18)

Farm Debts

- FmHA borrowers who have had previous **debts written off under debt restructuring are able to get new loans.** Our sample showed that some had **misrepresented their finances,** either to receive the writeoff or to qualify for the subsequent loan. (p. 19)

- **Losses from FmHA-guaranteed loans are increasing** partly because lenders are passing on to FmHA the risk of loss from older, unstable loans. About 79 percent of the $10 million in loans we reviewed were used by lenders to **refinance debts held by their own customers** who were already in financial jeopardy. (p. 20)

Rural Development

- Because **lenders acted improperly in servicing two Business & Industrial loans totaling $11 million,** FmHA has agreed to reduce the guarantee in both cases in the event of a loss. (p. 21)

- An engineer was convicted of **environmental fraud** in connection with the design and construction of a municipal FmHA-financed waste water disposal project. (p. 22)

Insurance

- FCIC paid over **$1.5 million in unnecessary indemnities** after it insured crops on ineligible acreage, misclassified risks, and allowed changes in prices and acreages after the deadline. (p. 22)

- A former employee of FCIC who subsequently became an official of a crop insurance firm in Mississippi was **found guilty of defrauding FCIC** by filing false claims. (p. 22)

Financial Management

- We issued **unqualified (clean) opinions in three financial statement audits** completed during this period: CCC, FCIC, and REA. Some accounting problems were reported. (p. 23)

- Improvements were recommended in FmHA controls over data security, transaction processing, and computer equipment. (p. 26)

- 53 recipients of over $20 million in contracts and grants from USDA **failed to certify that they did not use Federal funds to lobby** for the award of the contracts or grants. (p. 27)

- **APHIS reimbursed one State $3.2 million in excess costs** claimed for helicopter services provided during a program to eradicate the Medfly. (p. 27)

Employee- Related Investigations

- The **former top law enforcement official of the Forest Service resigned** and pled guilty to submitting inflated real estate sales expenses for reimbursement during his transfer to Washington, D.C. (p. 29)

- **Six cases of assault** on Federal employees are reported this period. These cases involved both USDA program officials and OIG special agents. (p. 29)

IN FOCUS: USDA's "HIGH RISK AREAS"

In 1989, officials of the Office of Management and Budget and the U.S. Department of Agriculture jointly identified four program areas within USDA as having a "high risk" of vulnerability to fraud, waste, abuse or mismanagement. Since that time, these High Risk Areas have been the focus of both management improvement efforts and OIG review. In one area, corrective actions by management have been successful and the activity has been removed from the High Risk List. Following is an update on OIG findings and management progress in these areas:

FOOD STAMP COUPON DEPOSIT AND BANK RECONCILIATION

In the past, OIG audits found significant discrepancies between the total number of food stamps redeemed through the banking system and the redemptions reported by retailers to the Food and Nutrition Service (FNS). An OIG audit found that irreconcilable transactions amounted to over $200 million in one 6-month period.

To improve food stamp coupon accountability and reconciliation, FNS established a pilot project at two Federal Reserve Banks. Our review of the pilot found that it significantly improved accountability, reconciliation and management control over food stamp redemptions. During the pilot's 6-month duration, we found that reconciliation between redemptions and supporting deposit documents reached a 99.9 percent level.

FNS has since implemented its pilot project nationwide, and based on the improvements it has reported in this area, OMB has removed food stamp coupon redemption from the High Risk List. We plan to review the nationwide system later this fiscal year.

FOOD STAMP TRAFFICKING

The Food Stamp Program is USDA's largest program activity. During FY 1992, expenditures for the program will account for about one-third of USDA's total program level authorization, with about 25 million people receiving food stamp benefits.

Because of the large dollars involved in the program (over $18 billion in FY 1991), and the opportunities for abuse at various points of the system, OIG devotes a significant portion of its resources (approximately 25%) to food stamp matters. One of the most serious of these is food stamp trafficking: the illegal sale, barter or exchange of food stamps for nonfood items. Of particular concern has been the exchange of food stamps for cash, as well as their use as a "second currency" to purchase drugs, weapons and other illegal items. As a result of this trafficking activity, individuals who should receive food through the program do not.

Supermarkets comprise about 15 percent of the stores authorized to accept food stamps but handle about 74 percent of all food stamps redeemed. OIG studies have shown that these large retailers generally have adequate controls and systems in place to prevent program abuse. Therefore, we continue to target our efforts at small and medium-size retailers, such as convenience stores. Since food stamp trafficking often involves individuals and retailers who are not authorized to participate in the program, it is difficult to accurately estimate the volume of trafficking. However, FNS estimates that at least $100 million in benefits each year is diverted by this activity.

Both FNS and OIG place major emphasis on identifying retailers who abuse the program, either by accepting food stamps for nonfood items, or by purchasing food stamps for cash. FNS' Compliance Unit monitors adherence to program regulations, and during FY 1991 reviewed approximately 5,000 retailers. Of this group, about 1,400 committed violations warranting disqualification from program participation. During the same fiscal year, OIG conducted over 400 investigations of allegations of retailer fraud and obtained over 200 criminal convictions of individuals and businesses. During the period summarized in this report, we conducted an additional 225 retailer fraud investigations and obtained 85 criminal convictions of individuals and businesses. Some of the cases reported this period are among the largest retailer fraud cases ever prosecuted. (Details begin on page 9.)

In addition to our investigative efforts completed this period, OIG completed an audit of FNS' retailer monitoring system. We reviewed FNS' procedures for authorizing retail stores to accept food stamps, and evaluated the effectiveness of the agency's automated system in identifying stores with questionable coupon redemptions. We found that FNS did not always screen retailer applicants before allowing them to redeem food stamps, and did not always deal effectively with retailers who continued to accept food stamps after withdrawing or being disqualified from the program for trafficking or other program violations. In addition, we found that the retailer data contained in FNS' automated tracking system was not always current, thus diminishing the usefulness of the system as an analytical and monitoring tool. (For more details, see page 8.)

FNS officials are aware of the weaknesses in their current systems and are taking corrective actions. For example, plans have been developed to (1) redesign current ADP systems, (2) test implementation of Electronic Benefit Transfer systems, and (3) amend regulations to strengthen retailer authorization, monitoring and sanctions. In addition, FNS has requested authority to expand its use of retailer social security numbers in its monitoring activities. We support this request.

Because of the size of the Food Stamp Program and the vulnerabilities inherent in it, OIG will continue to place significant emphasis on this program in the future.

OVERPAYMENT OF FEDERAL CROP INSURANCE CLAIMS

The Federal Crop Insurance Corporation (FCIC), a wholly owned Government corporation, was created in 1938 to improve the economic stability of agriculture through a sound system of crop insurance. Over the years, the program has changed to include more crops, provide higher levels of coverage, and to incorporate the use of private sector firms to sell and service crop insurance policies. Indemnities for crop year 1990 totaled over $1 billion. However, insurance premiums for that year totaled $838 million, a loss ratio of 1.23.

OIG audits have identified weaknesses in the system used by both the reinsured companies and FCIC adjusters to pay claims. These weaknesses have resulted in substantial losses to the crop insurance program. Specifically, we found that:

- Adjusters did not verify the actual production information provided by the insureds.
- Adjusters did not correctly determine 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.

Much has been done by Department managers to address the overpayments of FCIC claims. For example, the FCIC Compliance Staff has been expanded and the number of reviews has increased. FCIC has initiated a comprehensive enforcement strategy to combat fraud and program abuse through the imposition of various sanctions. Also, the 1992 Standard Reinsurance Agreement requires private insurance companies to assume more of the risk for losses.

However, despite the improvements we have noted, we continue to find problems. During the period covered in this report, we examined 16 large claims processed by both reinsured companies and FCIC and found problems that resulted in excess indemnity payments totaling $1.5 million. We found that agents insured crops on acreage that was ineligible for coverage, used incorrect actuarial classifications, and allowed changes in prices and acreage after closing deadlines. Loss adjusters made errors in determining eligible production-to-count and did not always verify insured acreage.

FCIC officials agreed to take corrective actions on the problems we noted. (For additional details on this audit, see page 22.) This area continues to receive program management and OIG attention as a High Risk Area.

FARMERS HOME LOAN PROGRAMS

The Farmers Home Administration (FmHA) is the largest direct lending institution in the Federal Government. As of September 30, 1991, over 1 million borrowers owed FmHA $51 billion. In addition, private lenders had made loans totaling $5.7 billion, guaranteed by FmHA, to 42,000 borrowers.

FmHA loans are made available to fulfill the farm operating, housing and rural development needs of individuals and entities who cannot obtain credit from commercial institutions. Because FmHA borrowers have been deemed by private lenders as having an unacceptably high risk of default, FmHA is the lender of last resort. Consequently, the FmHA loan portfolio has historically been in weak financial condition. In addition, judicial barriers have interfered with the agency's effectiveness in foreclosing on delinquent borrowers. Finally, some legislative provisions have created a loanmaking environment where borrowers can overextend themselves, making loan collection doubtful. All of these factors have affected FmHA's ability to effectively manage its portfolio.

Because of the potential for loss inherent in FmHA's loan programs, this area has been identified by program managers, OIG and OMB for inclusion on the High Risk List. Historically, OIG audits have disclosed weaknesses in loanmaking and loan servicing which have resulted in program losses. We have found that (1) FmHA has not made realistic income and expense projections when making loans to borrowers who have little or no chance of repaying them, (2) adequate collateral has not been obtained at the time loans were made, (3) the Government's security position has been weakened in many cases through the subordination of liens to other creditors, and (4) loans have not been serviced properly to ensure that collateral is maintained and is in good condition.

FmHA has taken various actions to reduce the risk associated with its loan programs. For example, the agency has recently implemented a rule to require applicants to pledge assets other than those involved in the farming operation to improve FmHA's security position.

During the period covered in this report, we audited a sample of borrowers who had bought out their FmHA debts at net recovery value and returned to FmHA within 1 year for subsequent loans. We found that some of these borrowers had misrepresented their finances, either to receive the write-off for their original loan or to qualify for the subsequent loan. We also performed a nationwide review of Farmer Program guaranteed loans, and found that management controls needed improvement. We found that about 79 percent of the loans we reviewed were used by lenders to refinance debts held by their own customers who were already in financial jeopardy, and identified problems with several of the sample lenders' practices involving appraisals of real estate security, servicing of collateral property and liquidations of borrowers' assets. Program officials responded with plans for corrective actions. (For more details on these audits, refer to page 19.) However, this area will continue to receive attention by both OIG and program managers as a High Risk Area.

PLANS FOR THE FUTURE

In each of USDA's High Risk Areas, Department managers have made progress in correcting deficiencies. However, OIG will continue to devote audit and investigative resources to these areas to ensure that corrective actions are taken and are effective. For example, we have planned a followup review of FNS' food stamp accountability system to ensure that actions taken to reconcile food stamp redemption transactions have fully solved the problems noted in the past. Regarding food stamp trafficking, we are working closely with FNS to identify retailers who participate in illegal trafficking, and FNS has efforts underway to review and recertify all stores now authorized to accept food stamps. In the area of crop insurance, we plan to continue our nationwide audits of indemnity claims. We also plan additional audits in both the direct and guaranteed loan programs administered by FmHA.

SUMMARY OF AUDIT ACTIVITIES

Audit Reports Issued

Reports Issued		167
Audits Performed by OIG	67	
Audits Performed Under the Single Audit Act	77	
Audits Performed by Others	23	

Management Decisions Made

Number of Reports		200
Number of Recommendations		778

Dollar Impact (millions)

Questioned/Unsupported Costs		$134[a]
Recommended for Recovery	$91[b]	
Not Recommended for Recovery	$43[c]	
Funds to Be Put to Better Use		$1,168.8[ad]
Total		$1,302.8

[a]These were the amounts the auditees agreed to at the time of management decision.
[b]The recoveries realized could change as the auditees implement the agreed-upon corrective action plans and seek recovery of amounts recorded as debts due the Department.
[c]These costs have been expended erroneously or improperly due to agency action, and their recovery is not possible.
[d]Of this amount, $844.5 million results from our audit of REA borrowers. This amount represents loans to borrowers who we concluded had sufficient financial strength to obtain credit elsewhere. During this reporting period, we reached a management decision with REA which proposed the legislative changes needed to establish financial need criteria.

SUMMARY OF INVESTIGATIVE ACTIVITIES

Reports Issued	738
Cases Opened	710
Cases Closed	679
Cases Referred for Prosecution	439

Impact of Investigations

Indictments	426
Convictions	350[a]

Dollar Impact (millions)

Recoveries	$2.6[b]
Restitutions	$3.3[c]
Fines	$2.3[d]
Cost Avoidance	$1.2[e]

Administrative Sanctions

Employees	24
Businesses/Persons	175

[a]Includes convictions and pretrial diversions.
[b]Includes 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.

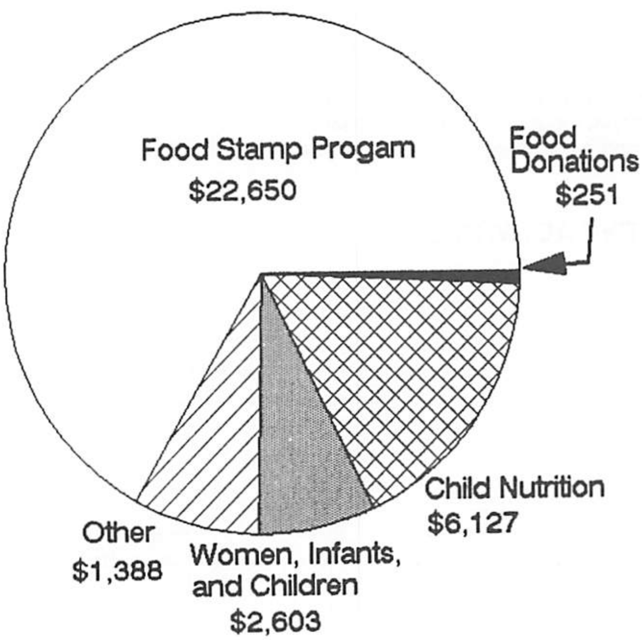
FOOD AND CONSUMER SERVICES

FOOD AND NUTRITION SERVICE (FNS)

FNS administers the Department's food assistance programs, which include the Food Stamp Program, the Child Nutrition Programs, the Special Supplemental Food Program for Women, Infants, and Children, and the Food Donation Program. These programs are designed to provide needy persons with a more nutritious diet, improve the eating habits of the Nation's children, and stabilize farm prices through the distribution of surplus foods. FNS administers the programs through a national office, 7 regional offices, 64 field offices, and 6 compliance offices. Figure 1 shows the agency's program level for FY 1992.

Figure 1

In Millions of Dollars



FOOD STAMP PROGRAM (FSP)

Retailer Monitoring Does Not Always Detect FSP Trafficking

More than 200,000 retail stores have been approved by FNS to accept food stamps from program recipients and redeem them for cash at banks. FNS monitors retailer activity using computer profiles and analyzing food stamp redemptions to identify stores that may be violating program requirements.

We reviewed FNS' procedures for authorizing retail stores to accept food stamps, and we evaluated the effectiveness of the automated retailer tracking system in identifying problem retailers. We found that FNS did not adequately screen many retailer applicants before allowing them to redeem stamps. Eight of the 120 authorized retail stores we visited were ineligible to accept food stamps at the time they were authorized or became ineligible afterwards. These stores improperly accepted food stamps totaling about $581,000 for FY 1990. FNS had visited only 13 of the 120 stores. In addition, we found that FNS did not always deal effectively with retail stores that continued to accept food stamps after the stores withdrew from the program or were disqualified for discounting or trafficking in food stamps. At the field offices reviewed, we identified over 300 retail stores that redeemed over $4.7 million in food stamps even though the stores had been disqualified or were no longer authorized to accept the stamps.

We also found that the information used in FNS' monitoring system was not current. FNS had updated profile data for only about 21 percent of the retailers authorized as of April 1991. Our visits to the 120 retail stores in our sample disclosed that the information was not current for 113 of them. FNS staff knew the data were out of date and regarded some reports compiled from them as unreliable. Without an effective system, FNS cannot identify and monitor retailers whose activities may indicate food stamp trafficking and other serious violations.

FNS officials were aware of some of the ADP system weaknesses and identified retailer monitoring as a vulnerable area in their annual review of internal controls. They also identified trafficking in the FSP, especially by retail stores, as a "high-risk area." One tool that could improve FNS' monitoring of retailers is the expanded use of retailers' Social Security numbers. Although FNS now has the authority to gather and use these numbers, this authority is limited. In FY 1992, FNS sought additional authority to use the numbers to coordinate actions with other regulatory groups, such as State taxing or licensing agencies, but this request was not approved. FNS has asked again for this authority for FY 1993, and we support this request.

FNS needs the tools to deal effectively with retailers who violate the Food Stamp Act.

We note that FNS has identified other needed improvements and developed plans for (1) long-term projects to redesign the ADP systems, (2) feasibility studies and pilot projects involving Electronic Benefit Transfer systems, and (3) amendments to regulations to strengthen retailer authorization, monitoring, and sanctions.

We recommended that, in addition to the above, FNS give a higher priority to visiting retailers before approving them to accept food stamps, and encourage banks to prevent disqualified retailers from redeeming food stamps with invalid redemption certificates. We also recommended that FNS improve its automated retailer tracking system, especially by updating the retailer profiles.

FNS officials agreed with our recommendations and are developing plans to further improve controls over retailer operations.

Retailer Fraud Cases Are Among the Largest Ever

Investigative efforts this period uncovered several large-dollar retailer fraud cases nationwide. Most of these cases are in various stages of the judicial process.

- In the largest FSP fraud prosecution to date, a grocer in Toledo, Ohio, was convicted of illegally redeeming $7.2 million in food stamps from 1985 to 1991 under a false application for authorization. He was also convicted of illegally trafficking in over $3.5 million worth of food stamps during the same period. Sentencing is pending.

- In the largest FSP case in the Los Angeles area to date, two individuals were convicted for the purchase and illegal redemption of $1.8 million in food stamps over a 2-year period. The individuals pled guilty to the charges; each was sentenced to 3 years in prison and ordered to pay $45,000 in restitution. The "store" that was initially authorized to redeem food stamps was actually an apartment. When the individuals suspected they were under investigation, they requested authorization under a new store name and began operating out of a small grocery store. However, the small amount of food sales could not justify their large number of food stamp redemptions.

- An Illinois grocer admitted buying and illegally redeeming approximately $1.3 million worth of food stamps through his small grocery store over a 17-month period. He was sentenced in Federal court to 25 months in prison and ordered to make $1 million in restitution to FNS. The grocer also agreed to sell his store and apply those proceeds to the restitution.

- We previously reported that four individuals were indicted for their participation in an interstate food stamp fraud scheme in Houston, Texas, and Sacramento, California. The individuals trafficked in over $1 million in food stamps. The food stamps were obtained illegally by two individuals in Houston and shipped to Sacramento where they were redeemed through two authorized stores operated by two other individuals. The cash received for the redeemed food stamps was then sent back to Houston after the Sacramento store operators took a 3-percent commission. One Sacramento defendant was sentenced to 18 months in prison and ordered to pay $15,470 in restitution; the other was sentenced to 5 months in prison and 5 months in a halfway house. Each of the two Houston defendants was sentenced to 1 year in prison and ordered to pay $15,470 in restitution.

Interagency Task Force Nets Results in Michigan

Efforts of the Michigan Interagency Coupon Enforcement (MICE) Task Force, a group composed of OIG agents, FNS compliance investigators, and others from Federal, State, and local law enforcement agencies, have resulted in the arrest of 31 persons on charges of trafficking in food stamps. Of the 31 arrested, 12 have pled guilty, and 5 have been sentenced.

Those arrested ranged from street-level food stamp traffickers to the owners of a large, independent supermarket that had been redeeming more than $200,000 in food stamps per month. MICE Task Force undercover agents exchanged $88,000 in food stamps for cash, cocaine, and other nonfood items; recovered $141,000 in food stamps; and seized $48,000 in cash from traffickers. Legal action against the remaining persons is pending.

Prison Sentence, $250,000 Fine Ordered for Food Stamp Counterfeiter

A Louisiana man pled guilty to counterfeiting food stamps valued at over $127,000. A joint undercover investigation conducted by OIG, the U.S. Customs Service, and the U.S. Secret Service disclosed that the man also counterfeited over 1,000 cassette recordings of popular recording artists (a copyright infringement). The counterfeit food stamps were seized by undercover agents before a large-scale multistate distribution could occur. This was the largest such seizure in Louisiana to date. The defendant was sentenced in Federal court to 4 years in prison and ordered to pay a fine of $250,000.

Drug Ring Members Sentenced to Prison for Food Stamp and Drug Trafficking

In Virginia, a joint investigation conducted by OIG and members of the Peninsula Federal-State Narcotic Task Force resulted in the arrest of the leader and eight members of a drug ring who exchanged crack cocaine for food stamps. All nine individuals pled guilty in Federal court to charges of trafficking in food stamps and narcotics. During this investigation, OIG special agents working undercover purchased about 250 "rocks" of crack cocaine with food stamps.

To date, the ring leader has been sentenced to 27 years and 3 months in prison. Seven of the other ring members have received sentences ranging from 5 to 23 years in prison and fines ranging from $3,000 to $10,000. Sentencing of the ninth individual is pending.

Drug Dealer Who Sold Drugs for Food Stamps Is Sentenced to Prison

As a result of an investigation conducted jointly by OIG and other Federal, State, and local agencies, a Kansas City drug dealer was charged with distributing cocaine in exchange for food stamps and cash. The dealer pled guilty to one of three counts and was sentenced to prison for 6-1/2 years.

Entitlement Programs: State Administration

During this period, we conducted audits in Indiana and Ohio to review aspects of the Child Nutrition Program (CNP) and the FSP. We found problems related to cash drawdowns, administrative costs, and wage-matching followup requirements.

- We reviewed Ohio's administration of the FSP and found that the State had overdrawn its immediate cash needs by about $5.5 million because it had based its cash advance requests on overstated estimates rather than on actual costs. The overstated advances cost the Government $235,000 in unnecessary interest. Our 1990 audit reported excessive drawdowns of about $7.8 million during FY1989, costing $686,000 in interest.

- Neither State could support over $1 million in reimbursements for FSP and CNP administrative costs. In Ohio, we attempted to verify $5.7 million in FSP costs the State claimed in its third quarter. FNS paid 50 percent of these costs, or $2.85 million. The State could not provide documentation to support $1.3 million of these costs, of which $656,000 was reimbursed by FNS. We found that Indiana overclaimed about $465,000 for FY 1990 CNP operations. The State included projected costs for staff positions that subsequently went unfilled because of a hiring freeze.

- Although Ohio had implemented FSP wage-matching, it had not completed its verification reviews within the required 45-day period. Of 300,000 income verifications obtained during FY1990, followup was only performed on about 100,000 cases.

  A prior audit in 1986 disclosed problems in the State's effort to implement wage-matching and an FNS review in 1990 showed that these problems continued. Since its review, FNS has suspended administrative funding until the State meets wage-matching requirements. At the time of our most recent audit, this funding totaled $2.3 million and was continuing at a rate of about $335,000 per quarter.

We recommended that FNS monitor cash drawdowns more closely and require Ohio to ensure timely drawdowns of funds. We also recommended that FNS collect the excess administrative cost reimbursements unless further documentation is provided, and that both States be required to support claims for reimbursement. Finally, we recommended that FNS require Ohio to submit a plan to meet wage-matching requirements. FNS officials agreed to recover the excess administrative cost reimbursements and to require Ohio to implement a wage-matching plan.

FOOD DISTRIBUTION PROGRAM

Theft of Donated Commodities Results in $127,300 in Fines and Restitution

Legal action has been completed in a case reported previously. Seven corporations and 22 individuals, including a New York State police officer, were charged with stealing USDA-donated commodities over a 3-1/2 year period. The defendants were charged with stealing the items from a storage company and selling them to delicatessens and restaurants, thus diverting them from their intended distribution to school children and the needy throughout Long Island and New York City. The court imposed fines totaling $46,300 and restitution totaling $81,030. Six individuals received prison sentences varying from 6 months to 20 months. Legal action against one corporation is pending.

INTERNATIONAL AFFAIRS AND COMMODITY PROGRAMS

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE (ASCS)

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, commodity storage and handling, 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 corporation.

For FY 1992, ASCS estimates outlays at $2.7 billion for conservation programs. CCC funds all other ASCS program operations, with estimated outlays of $11.9 billion, an increase of $1.3 billion over FY 1991.

Producers and Foreign Landowners Evaded Payment Limit Rules

In 1980, Congress established an annual $50,000 payment limitation per "person" for certain deficiency and land diversion payments to wheat, feed grain, cotton, and rice producers. OIG audits have shown that, despite attempts by Congress to tighten controls over payment limitation provisions, farmers used multiple entities to qualify as many "persons" as were needed to obtain all of the payments their land could earn. In past reports, we described various schemes used by producers to evade payment limitation rules. ASCS has subsequently acted to improve program procedures and to recover ineligible payments to producers. However, some improvements are still needed to minimize program abuse.

During the previous reporting period, we provided the results of reviews of 16 of 23 farms that were reorganized for 1989. These 16 multi-entity farming operations qualified 205 "persons" who received $6.7 million in payments. Our review concluded that 143 of the corporate partners in these operations were "shell" corporations used to qualify additional "persons" for payment. Without the 143 "shells," the farms would have only received $2 million, or over 70 percent less.

We have now completed a review of the remaining 7 of the 23 farms plus 3 additional farms. We have also reviewed participation by 19 foreign-owned farms in 1 State. We found one case in which a producer adopted a scheme to evade the payment limit, and five cases in which foreign landowners violated the landlord-tenant provisions of the program. We also found that large landowners, including one insurance company, were using lease agreements to evade payment limits.

- In one of the ten cases reviewed, the producer's scheme to evade the payment limit resulted in improper payments of about $1 million for 1988-90. This amount, plus payments for 1991 of about $400,000, will be subject to recovery. The individual producers (husband and wife) formed partnerships that were "paper" entities only, made to increase the number of "persons" to receive payments on a large farm controlled by the producers. Other reviews by ASCS and OIG showed that these producers also evaded the payment limit in 1985, 1986, and 1987.

- Although the other nine cases disclosed no evidence of a scheme, we identified other violations of payment limitation rules that resulted in overpayments totaling over $1 million. For example, the rule requiring some tenants to make a significant contribution of equipment was not correctly applied to two producers, resulting in 1989 and 1990 overpayments totaling nearly $1 million. In another case, inadequate controls resulted in overpayments of about $10,000 because the $50,000 payment limitation was exceeded.

- Our audit of 19 foreign-owned farms in 1 State disclosed that 5 of the foreign owners received ASCS program payments of over $45,000 although they were ineligible for such payments. Program regulations prohibit a foreign landlord from receiving program payments unless the person is providing a substantial amount of active personal labor. In none of the five cases reviewed did the landlords provide such labor.

  Program regulations also prohibit a landlord from making a lease or other arrangement that forces the tenant to pay the landlord any payment earned under the program. ASCS assumed that the American operators of the five farms were receiving the ASCS program payments because they reported that their leases required a fixed rent; however, the actual lease payments were based on one-fourth of the crop proceeds and the ASCS payments. These rent arrangements allowed the foreign landowners to receive program benefits indirectly and violated the landlord-tenant provisions of the program by requiring the tenant to pay program payments to the landlord.

- In a past audit, we reported that an insurance company circumvented payment limit provisions through use of lease arrangements that required tenants to pay the company part of their ASCS program benefits. Rent was based on the greater of a fixed amount or a percentage of the gross revenue. ASCS considered these leases to be cash leases. However, in all instances rent settlement to the landlords was based on one-fourth of the crop proceeds, including one-fourth of the ASCS payments, which violated landlord-tenant provisions. Based on our audit, ASCS changed its definition of a combination cash/share lease for the 1992 program. To be considered a cash lease, the cash amount must equal or exceed the normal cash lease expense for the area. If ASCS determines a combination lease to be a cash lease and later discovers that the landlord received part of the deficiency payments, it will consider the lease to be a scheme or device.

ASCS has agreed to collect overpayments totaling over $1.3 million from those who violated landlord-tenant provisions of the program, including the foreign landowners. ASCS also supported our recommendation for legislation to limit program payments to individuals rather than "persons." The Office of Management and Budget agreed that such a change is desirable. Until legislation is enacted to make this change, large farming operations can continue to circumvent regulations and obtain all payments their land will earn by structuring their operations into multiple corporations.

ASCS disagreed with two other recommendations we made to eliminate loopholes in current regulations. These recommendations, if implemented, would require that all stockholders of a corporation provide either active personal labor or management to qualify the corporation for payments, and that corporate partners in a general partnership have assets at risk in proportion to their shares of the farming operation. ASCS officials stated they do not believe these recommendations are consistent with the intent of Congress.

We are currently assessing ASCS implementation of new rules enacted in 1990 which require ASCS State offices to make initial determinations for farming operations where five or more "persons" receive payments. Also, cooperative efforts between ASCS and OIG have resulted in improvements in the end-of-year reviews of farming operations. We provided technical assistance for the selection of farming operations being reviewed in 1991, and advised ASCS on the guides its review teams will use. ASCS has issued new review instructions, which will significantly improve its effectiveness in identifying schemes to circumvent payment limitation provisions.

Payment Limit Conviction Upheld on Appeal

A Federal appeals court reversed an Arkansas district court decision and reinstated the conviction of two brothers for making false statements to ASCS in order to circumvent payment limitation rules. As reported previously, an OIG investigation revealed that the brothers arranged with other farmers to provide their names to ASCS as additional "producers" in the brothers' farming operations. The brothers subsequently diverted approximately $900,000 in program payments to their own use. Sentencing is pending.

$1.3 Million in Disaster Assistance Overpaid in One State

The Disaster Assistance Act of 1989 provided financial assistance to farmers whose crop yields in 1989 were reduced by at least 50 percent by bad weather. The act authorized disaster assistance for program crops as well as nonprogram crops (crops that do not have Federal price supports) such as cucumbers. Since ASCS did not maintain crop production data for 1989 nonprogram crops, it used data provided by the producers. Each ASCS State office established yields and payment rates for nonprogram crops in its State. Historically, disaster payments for nonprogram crops have accounted for about one-third of the total disaster payments made on all crops.

We audited 1989 cucumber disaster assistance payments totaling $3.1 million in one State. Our audit found overpayments totaling almost $1.3 million. We identified the following conditions:

- Twenty-eight producers in three counties falsely certified their total production to ASCS. The producers certified to 6.3 million pounds, but their sales records showed they actually produced 11.6 million pounds. These producers were consequently ineligible for all 1989 cucumber disaster payments, totaling almost $550,000, and other 1989 ASCS program payments, totaling over $212,000.

- County office personnel in three counties used the wrong yield and payment rate to compute disaster assistance payments. Counties used the fresh-market yield and payment rate even though most of the producers were only eligible for the lower processed-market yield and payment rate. Because of the wrong rate, 109 producers received disaster overpayments totaling over $430,000.

- One county committee assigned zero yields to all farms in the county with unharvested production when it should have assigned yields based on reported production on similar farms. As a result, 37 producers received overpayments totaling over $145,000. Two of the producers were county committee members, and another three were immediate family members of the two county committee members. Further, one of the county committee members improperly certified his crop share and received a $4,200 cucumber disaster payment.
- A corporation in one county received 1989 disaster payments even though it exceeded the $2 million income limit for payment eligibility. When this case was brought to the attention of the county committee, committee members determined that the corporation should refund the $100,000 disaster payment. We also identified disaster overpayments totaling almost $15,000 due to county office errors.

We recommended that ASCS recover the disaster overpayments, verify future production of the cited producers who did not report all 1989 crop production, ensure that proper yields and rates are used, and refer the cited county committee members to the State committee for disciplinary action. The agency agreed and is implementing corrective action.

Guilty Plea in Cotton Disaster Fraud

As the result of an OIG investigation, a Texas farmer pled guilty to making false claims to ASCS for 1989 cotton disaster payments. The farmer falsely identified the farms of origin of his harvested cotton, making it appear that his cotton crop was smaller than normal. The farmer claimed over $200,000 in 1989 disaster payments, but the scheme was discovered before the payments were made. The farmer did receive $75,000 in ASCS advance deficiency payments, but he was also found to be ineligible for these because he used improper planting patterns. As part of the plea agreement, the farmer repaid ASCS $83,000 for the advance payments and accrued interest. Had this scheme not been detected, the farmer would have received an additional $150,000 in FCIC indemnity payments. Sentencing is pending in Federal court.

Producer Uses False Receipts in Mohair Program Fraud

In Texas, OIG agents found that an individual submitted false mohair sales invoices to ASCS to receive Government payments under the Mohair Incentive Program for program years 1988 and 1989. For 1988, the producer received about $57,000 in payments based on the false receipts. The producer also provided false receipts in 1989 that would have allowed him to receive about $49,000 in additional illegal payments, but his scheme was discovered before the payments were made.

The producer fled to Mexico but was arrested when he reentered the United States to board an airplane to his native Spain.

The producer pled guilty and was sentenced to 1 year in prison and 3 years' supervised release. He was also ordered to pay restitution of the $57,000 in ASCS payments.

Farmer Sentenced to Prison Again, Large Restitution Ordered

As the result of an OIG investigation, an Iowa farmer was sentenced to 21 months in prison and ordered to pay over $250,000 in restitution to CCC. The borrower admitted making false statements to obtain CCC loans by pledging grain that did not exist as loan collateral. The farmer had previously been convicted in Federal court of making false statements on a Farm Credit Administration loan application, and had served 6 months in prison on that charge.

Extended Prison Term for Elevator Operator

A Texas grain elevator operator pled guilty to charges of making false statements after OIG agents found that he converted to his own use some 4 million pounds of CCC owned grain sorghum valued at $132,000. The individual, who is currently serving 7 years in an Idaho prison on unrelated charges, was ordered to spend an additional 6 months in a Federal prison, to be followed by 5 years' probation. He was also ordered to pay restitution of approximately $95,000.

Producers Improperly Received Benefits After Converting Wetlands

The Food Security Act of 1985 links farm program benefits to conservation practices and specifically protects wetlands and highly erodible lands. The act generally prohibits producers from receiving USDA farm program benefits if they plant crops on wetlands drained after December 23, 1985.

We found that producers associated with one farming operation violated the wetland conservation provisions in 1989 and 1990. The producers began converting wetlands to cropland before December 23, 1985, but continued their conversion after the December 23 deadline. Regulations allow a conversion to continue only if the producer shows evidence before the deadline that he intends to complete the conversion at a later date. The producers in this case did not apply for such a continuance and did not notify ASCS of their activities in 1989 and 1990, even though the Soil Conservation Service (SCS) warned them they were probably violating the Food Security Act. Because of the improper actions by the producers, the wetlands were not subjected to an ASCS spotcheck, and the producers received or were scheduled to receive benefits of about $675,000 to which they were not entitled.

We recommended that ASCS coordinate action on this case with SCS, and coordinate eligibility determinations with other Federal agencies in other cases involving land conversions. ASCS concurred with the audit findings and has agreed to initiate corrective action.

Salinity Control Program Could Be More Cost Effective

Under the Colorado River Basin Salinity Control Act of 1974, ASCS helps identify salt sources in the river basin and provides cost-share assistance to producers to install conservation practices. The salt content of the Colorado River was increasing over the years because farming practices did not control the amount of salt that drained into the river. The act authorizes a voluntary control program for seven Western States and utilizes multiyear contracts with eligible landowners or operators in approved project areas. Approximately $14 million had been appropriated for this program through fiscal year 1989, of which $9 million was obligated for cost-shares. Of this $9 million, $8.3 million was targeted for three county offices we reviewed in three river basin States. Since fiscal year 1989, the program has expanded and currently about $54 million has been appropriated for this program, of which $32.6 million is for cost-share assistance.

Our audit disclosed that the ASCS State offices did not monitor the development and implementation of project plans adequately. The States' approved conservation practices did not always address ASCS' most important requirements for salinity control. For example, factors for costs per ton for salt reduction and the extent of salinity were not always used as criteria for prioritizing project requests. The ASCS county committees in turn did not always approve applications for the most cost-effective practices and did not always prioritize applications on the basis of water quality benefits.

We recommended that ASCS monitor the development and implementation of the county project plans. ASCS agreed with our recommendation.

MARKETING AND INSPECTION SERVICES

ANIMAL AND PLANT HEALTH INSPECTION SERVICE (APHIS)

Inspections of Animal Dealer and Research Facilities Were Not Always Timely

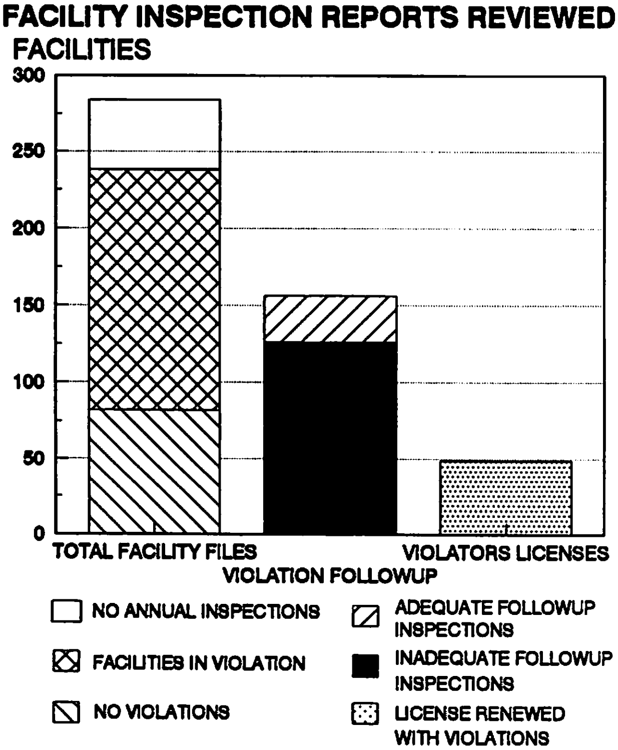
The Animal Welfare Act requires USDA to ensure the humane treatment of animals used for research and exhibition, or sold as pets through wholesalers. APHIS' regulatory enforcement animal care unit is responsible for monitoring compliance with provisions of the law. This unit is composed of 5 field offices which oversee over 8,500 animal care facilities.

We reviewed APHIS' monitoring of animal care facilities. Accompanied by an APHIS inspector, we visited licensed vendors and registered research facilities in Illinois, Indiana, Missouri, and Wisconsin. Forty percent of the animal care facilities covered by the law are in these States.

APHIS procedures require inspectors to review each facility annually and follow up within 30 days when they find significant deficiencies. We found that APHIS' inspections of the facilities effectively identified problem areas, but that APHIS was unable to make the required number of annual inspections or conduct the necessary followup inspections within the established timeframes.

Figure 2

FACILITY INSPECTION REPORTS REVIEWED



Of 284 facilities whose documents we reviewed, 16 percent had no annual inspections. Of 156 facilities found by APHIS inspectors to be in violation of the act, 81 percent had no followup inspections within the 30-day period. Inspections were infrequent because a limited number of qualified inspectors was responsible for performing a large number of inspections. We calculated that APHIS' 68 animal care inspectors would need to perform over 15,000 inspections annually nationwide to meet APHIS' requirements. We concluded that APHIS needed to identify those dealers more prone to violating program requirements and concentrate its inspections on them.

We visited 30 facilities during our audit and found that 7 dealers had not corrected violations identified during 3 or more previously performed inspections. At one facility, continuous violations were noted as far back as 1988. This facility did not provide adequate living space, proper sanitation, or proper veterinary care. Although facilities must comply with the law to be licensed initially, 49 of the 284 facilities whose inspection reports we reviewed had had their licenses renewed by APHIS even though they were known to be in violation of the law.

During FY 1991, a task force established by APHIS disclosed findings similar to those described in our report.

We recommended that APHIS establish a nationwide data base of registered and licensed facilities so it could track inspections. We also recommended that the agency develop a risk-based facility ranking system that would free inspectors to concentrate on problem facilities, and that it ensure that facilities are in full compliance with all regulations before renewing their licenses.

APHIS officials stated that a nationwide system has been developed that will be in use by the end of this fiscal year, and that inspections will be prioritized. However, they advised us that authority does not exist to withhold renewals based on noncompliance. We are continuing to work to resolve this issue.

AGRICULTURAL MARKETING SERVICE (AMS)

AMS Retailer Monitoring Is Not Effective Against Grade-Labeling Violations

AMS is responsible for monitoring retailers to ensure that USDA grade labels accurately represent meat and poultry products. We estimate that about 200,000 retailers nationwide handle USDA-graded meat products. Legislation authorizes AMS to penalize retailers who deceptively label or advertise agricultural products. Violators may be fined and imprisoned, and USDA grade labels may be removed from all their meat products.

In a 1989 audit, we reviewed AMS oversight of retailers and found that only 108 oversight visits had been performed in 1987. Followup reviews had not been performed in many cases where violations were found. In response to that audit, AMS agreed to increase its monitoring and to develop a data base that listed all retail stores nationwide.

Our followup audit found that AMS had not developed a comprehensive listing of retailers nationwide from which to draw a sample for review. Although the national office had instructed the regional offices to develop a listing within each AMS region, the regional offices had yet to do so.

We did find that AMS had increased the number of its retailer reviews since our last audit, making 694 in 1990 compared to the 108 noted in the prior audit. However, we believe this number of visits may not be sufficient, since the visits disclosed that about 12 percent of the retailers inspected misrepresented the USDA grades on their meat products. Despite this error rate, AMS had neither expanded the scope of its monitoring nor referred these retailers for investigation, even when the violations were serious or chronic.

We recommended that AMS develop comprehensive listings of all meat retailers, ensure that repeat violators are penalized, and increase the penalties that can be applied. AMS officials agreed and are taking corrective actions. These include developing a risk-based system designed to target retail outlets more prone to commit violations and establishing meaningful penalties that can be quickly and effectively applied.

FOOD SAFETY AND INSPECTION SERVICE (FSIS)

Firm and Officials Get Record Fine For Violating Federal Meat Inspection Laws

As the result of a joint OIG/FSIS compliance investigation, a New Jersey meat-processing firm and its former officials have been fined a total of $2 million for offering bribes to USDA inspectors, adulterating ham products with excessive water, and falsifying records during a 12-year period. The penalty is part of the largest combined fine ever recorded for violating the Federal Meat Inspection Act.

In the last of a series of court actions dating to 1989, the former president of the firm was sentenced to 2 years in prison with all but 6 months suspended, 3 years' probation, and a $500,000 fine. Two other officials of the firm were each previously sentenced to 6 months at a community treatment center, given suspended sentences of 6 months, placed on probation for 2 years, and fined $250,000. The firm was fined $1 million. Four USDA inspectors were convicted of accepting bribes.

The president and two other officials sold their interests in the company as part of a plea-bargaining agreement.

Company, Two Owners Fined Over $81,000 in Meat Adulteration Case

In Baltimore, a Federal judge imposed a $71,660 fine on a Maryland company after firm officials pled guilty to felony charges of selling adulterated meat. Our investigation, conducted jointly with FSIS compliance officers, found that the company mixed lamb fat and trimmings into ground meat and misrepresented the product as 100-percent beef. A total of 216,000 pounds of this adulterated product was sold to retail establishments in Washington, D.C. In addition to the company's fine, the two owners were fined $5,000 each and sentenced to probation.

Illegal Slaughter Operation Found, Owner and Employees Convicted

The owner and two employees of a Maryland goat slaughtering business were convicted for engaging in the uninspected slaughter of goats and the transportation and sale of adulterated goat meat. The business, which slaughtered goats in unsanitary conditions and without USDA inspection, sold the meat to markets in Maryland, Virginia, and Washington, D.C. The owner was sentenced to 6 months in prison and fined, and two of his employees were given probation. This investigation was conducted jointly by OIG agents and FSIS compliance officers.

NATURAL RESOURCES AND ENVIRONMENT

FOREST SERVICE (FS)

The FS manages over 191 million acres of the National Forest System, conducts a State and private forestry program, an international forestry program, and provides national leadership in forest and range research. For FY 1991, the FS appropriation was about $3.3 billion, and timber sales and other receipts were estimated at about $1.2 billion.

Losses Continue From Skewed Bidding by Timber Purchasers

The FS offers timber for sale based on its estimates of the volume and value of the individual species (cedar, pine, etc.) contained in the sale area. Purchasers assign a portion of their total bid to each species included in the sale. When assigning bids, the purchaser must meet or exceed the advertised rate for each of the species (these rates are usually expressed in dollars per thousand board feet ($/mbf) of timber). The sale is awarded to the highest bidder, but when the timber is harvested and measured, the bid rates and the actual volumes of the species (rather than the total bid amount) determine the amount of the sale.

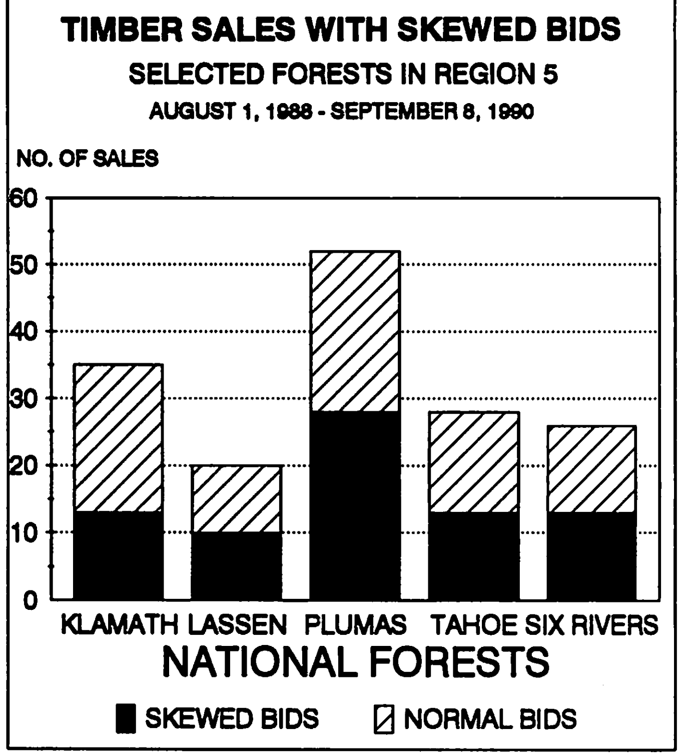
Skewed bidding occurs when a purchaser assigns a disproportionate share of his or her total bid to one or more species in the sale. When a bid winner has assigned a high bid rate to a species whose volume has been significantly overestimated, the bid winner will pay a lower total sale amount, resulting in a potential revenue loss to the FS. The following example demonstrates how skewed bidding resulted in a loss of $30,000 in potential revenue when the purchaser skewed his bid on cedar:

Species	Est. Volume (mbf)	Advertised Rate (mbf)	Bid Rate (mbf)	Bid Value	Actual Volume (mbf)	Sale Amount
Cedar	200	$25	$300	$60,000	100	$30,000
Pine	200	$200	$200	$40,000	200	$40,000
TOTALS				$100,000		$70,000

In July 1988, to reduce losses resulting from skewed bidding, the FS issued national minimum standards on assigning bid rates. All regions were required to adopt the standards or implement alternative methods that were at least as effective as the national standards. Regions 5 and 6 adopted alternative methods to control skewed bidding. These two regions account for about 78 percent of the $770 million timber sale revenue collected by the FS; therefore, their methods became the dominant methods in the FS. When our audit questioned Region 6's method, that region dropped its method and adopted Region 5's method to control skewed bids.

To determine the effectiveness of Region 5's method of controlling skewed bids, we analyzed 161 timber sales awarded by 5 national forests in the region. We identified 77 sales that had the potential for skewed bidding. The proportion of sales is shown in the following graph:

Figure 3



By the end of June 1991, harvesting had been completed on 42 of the 77 sales. To determine the amount of losses resulting from the skewed bids, we compared actual revenue data to revenues that would have been achieved had the purchaser assigned bid rates in proportion to the advertised rate. Our audit computed a net loss of about $752,000 potentially attributable to skewed bidding on the 42 sales.

We recommended that to reduce skewed bidding losses, the FS adopt more effective controls, such as restricting the purchaser to proportionate rates when bidding on timber sales. Under this method, bid rates must be assigned to each species included in the sale in proportion to their advertised rates. For the case previously discussed, use of proportionate rates would increase the sale amount from $70,000 to $94,400 as follows:

Species	Est. Volume (mbf)	Advertised Rate (mbf)	Prop. Rate (mbf)	Bid Value	Actual Volume (mbf)	Sale Amount
Cedar	200	$25	$56	$11,200	100	$5,600
Pine	200	$200	$444	$88,800	200	$88,800
TOTALS				$100,000		$94,400

FS officials agreed with our recommendations and plan to implement proportionate rates or another acceptable method by January 1, 1993.

The FS Does Not Exercise Adequate Control Over Administrative Use of Aircraft

In eight of the nine FS regions, we reviewed aircraft cost allocation procedures for both FS owned and contracted aircraft, and examined the administrative use of the aircraft — that is, their use to transport passengers. The FS owns and operates 41 aircraft and 1 helicopter, and regional offices and national forests contract for the services of additional aircraft. At the locations visited, we examined the authorizations and justifications for 2,515 administrative flights made during FY's 1990 and 1991 through July 31, 1991. We compared the costs of 1,919 of the 2,515 administrative flights with costs of other methods of transportation. The 1,919 flights were reviewed because they were either to destinations outside the regions, were to airports serviced by commercial airlines, or were to airports located within 200 miles of the originating airport.

Our review disclosed that FS controls over aircraft operations did not ensure that the administrative use of FS owned and contracted aircraft was proper. On FS flights made primarily to transport passengers, the required flight approvals, justifications, and cost comparisons were generally not prepared. We found the following:

- Clear lines of authority to approve the use of aircraft for administrative flights had not been established;

- Flight justifications were not prepared for 2,294 (91 percent) of the 2,515 administrative flights; and

- Required cost comparisons generally were not documented for any of the 1,919 flights we reviewed. Our tests showed that alternative methods of transportation were available at less cost to the Government for 401 of these flights. The excess costs incurred by the Government totaled about $165,500. This amount includes fixed costs which FS officials believe should not be included in the cost comparisons. However, we noted that half of the questioned flights and costs were for contracted aircraft and, therefore, did not include any fixed costs.

Inaccurate rental rates often precluded full recovery of aircraft costs and effective cost analysis. Furthermore, the fixed costs of owning and operating the aircraft were not shared by the FS units that used them, but were generally charged to programs that required aircraft availability (e.g., fire management). In FY 1991, the fixed costs for FS owned aircraft used for administrative transport were over $2.1 million. Since the use pattern for aircraft shows that 31 percent of all flight hours were for administrative transport of personnel, fixed costs of about $663,000 should have been charged to the travel budgets of the units involved.

FS had no specific policies regarding (1) when spouses and other nonofficial passengers can accompany Government officials on administrative flights, and (2) what documents are required to substantiate that such travel is advantageous to the Government. Also, there are potential tort liabilities associated with travel of nonofficial passengers in the event of an accident or other emergency.

Most of the deficiencies we found in this review were reported in a prior OIG audit, but adequate corrective action had not been implemented. FS disagreed with our findings that the fixed costs of aircraft be allocated among all benefiting users and that fixed operating costs should be used in cost comparisons when deciding the most economical transportation. We are working with FS officials to reach a management decision.

SMALL COMMUNITY AND RURAL DEVELOPMENT

FARMERS HOME ADMINISTRATION (FmHA)

FmHA is the largest direct lending institution in the Federal Government. The agency makes farm, housing, community program, and rural development loans to individuals and entities who cannot obtain credit elsewhere. Interest rates on loans may be subsidized, and a wide range of servicing options are available to borrowers who are unable to meet their debt obligations in a timely manner. As of September 30, 1991, over 1 million borrowers owed FmHA over $51 billion. In addition, private lenders had made loans, backed by FmHA guarantees, totaling $5.7 billion to 42,000 borrowers. FmHA administers its programs through its national office and a network of 46 State offices, 260 district offices, and 1,800 county offices.

Debt Buyouts and Loans for Some Returning Borrowers Were Improper

The Agricultural Credit Act of 1987 provides assistance to farm borrowers who are delinquent on their FmHA loan payments. The law requires FmHA to restructure these borrowers' loans to avoid losses to the Government and to allow borrowers to continue farming operations. It requires FmHA to modify the loans by lowering interest rates, deferring payments, or consolidating, rescheduling, reamortizing, or writing down debts. If a borrower cannot pay a loan that is substantially written down and he or she still wants to avoid foreclosure, the borrower is given the option of buying out the loan at the net recovery value of the loan collateral. This is called a debt "writeoff."

At the request of FmHA, we conducted an audit of 10 of the 67 borrowers who had bought out their FmHA debts at net recovery value and returned to FmHA within 1 year for subsequent Farmer Program loans. The 10 borrowers we reviewed had received writeoffs of over $2.4 million and new loans of about $1.7 million.

Our review disclosed that for 9 of the 10 borrowers reviewed, either the net recovery buyouts or the subsequent loans, or both, were based on inaccurate information. Six of the borrowers received over $739,000 in excessive writeoffs, which resulted in unnecessary losses to the Government. Five of the borrowers did not qualify for $811,600 in subsequent loans because repayment margins did not meet the minimum requirement. Two of the nine borrowers did not qualify for either the writeoffs or the subsequent loans.

Specifically, we found that the borrowers did not accurately report their farm income, expenses, and debts to FmHA. A comparison of the information on the plans used for buyouts and those used to obtain the subsequent loans revealed significant differences. Generally, expenses were overstated and income was understated on the buyout plans. These plans incorrectly showed that little money was available to pay debts, which resulted in excessive debt writeoffs and reduced buyout amounts. In contrast, expenses were generally understated and income overstated on the plans used to obtain subsequent loans. These plans incorrectly showed that enough money was available and helped qualify the former borrowers for subsequent loans.

FmHA personnel accepted information submitted by the former borrowers without reviewing it carefully and verifying it. In recognition of the potential problems associated with this loan activity, FmHA required that the State office approve all subsequent loan applications from borrowers who had bought out their debts. However, detailed procedures had not been developed for State office personnel to use in conducting their review.

We recommended that FmHA reestablish the $739,000 in debts that were improperly written off and take action on the $811,600 in subsequent loans to borrowers who did not qualify for them. We also recommended that FmHA instruct State and county offices to verify the information submitted on net recovery buyout plans and subsequent loan plans for those borrowers we had not reviewed.

We also recommended that FmHA require counties to reconcile all variances between plans submitted for net recovery buyouts and for subsequent loans. Further, we recommended that FmHA develop review procedures for State offices to use to approve all future loans to net recovery buyout borrowers.

FmHA agreed to review all cases cited in the audit, and required all other debt writeoffs and subsequent loans made to borrowers to be approved by the State Director. FmHA also agreed to develop procedures for State officials to follow before approving subsequent loans.

Guaranteed Loan Losses Increase Significantly Because of Improper Lender Practices

We performed a nationwide review to analyze the causes of losses on Farmer Program guaranteed loans. In FY 1990, FmHA paid about 600 claims totaling $26 million to lenders. With increased guaranteed loanmaking, FmHA estimates losses of almost $100 million in FY 1992.

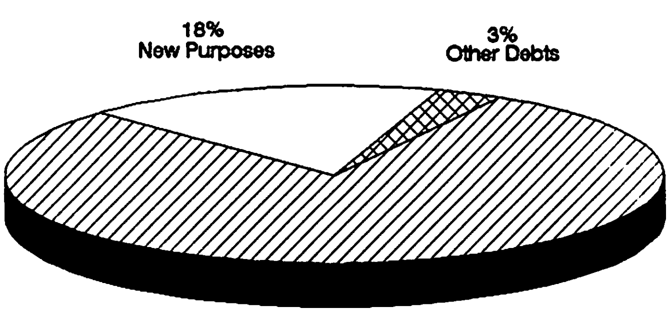
Our audit disclosed needed improvements in controls over guaranteed loans. We reviewed a sample of about $8.1 million in loss claims which FmHA paid to 19 lenders for loans to 45 borrowers. We questioned over $1.8 million (22 percent) of the claims paid and took exception to the following lender practices and FmHA policies:

- Lenders used FmHA guaranteed loans to refinance farm loans previously made to customers who were already in financial jeopardy. By doing this, the lenders avoided losses on their existing loans and passed the risk on to FmHA. FmHA neither limited the amount of guaranteed loan funds that could be used to refinance existing debts owed to guaranteed lenders, nor considered it a factor when negotiating guarantee percentages with lenders. Our review showed that 35 of the sample borrowers received guaranteed loans totaling about $10.1 million, of which about $8 million (79 percent) was used to refinance existing loans owed to the guaranteed lenders.

Figure 4

BORROWERS' USE OF FUNDS

On FY 1989 - 1990
Guaranteed Loans



In most cases, these borrowers defaulted on the guaranteed loans shortly after receiving them.

- Lenders inflated appraised values of real estate security, which led to significant losses. FmHA did not require lenders to obtain independent appraisals of security at loan origination. Real estate was used as loan security for 32 of the borrowers whose loan losses totaled $6.5 million. Inflated appraised values accounted for about $507,000 of this amount.

- Lenders' servicing of collateral property was inadequate for eight borrowers with guaranteed loan losses totaling $1.2 million. Our review showed that the lenders did not always account for loan collateral, did not ensure that proceeds from sales of collateral were applied to the loans, and did not protect collateral securing the loans. The eight borrowers had improperly disposed of security property, resulting in losses of approximately $638,000.

- Lenders did not promptly liquidate assets and file claims for 15 borrowers, resulting in excessive losses of over $605,000. Lenders also did not file estimated loss claims for 12 borrowers when liquidation was anticipated, resulting in excessive interest costs of about $150,000. In addition, one lender did not liquidate assets of three other borrowers in a timely manner, resulting in an erosion of the value of security and excessive losses of about $450,000.

We made several recommendations to FmHA, including one to either restrict the funds used for refinancing lenders' loans or reduce the percentage of guarantees. We also recommended that FmHA obtain independent appraisals of collateral.

In response to our audit, program officials noted the establishment of two major task forces to develop a strategy for a comprehensive lender monitoring system. In addition, interim measures are under way to improve the standards for making and servicing guaranteed loans.

Oklahoma Equipment Dealer Embezzles Sales Proceeds

An Oklahoma farm equipment dealer was convicted in Federal court of embezzling $20,835 from sales of FmHA-mortgaged farm equipment. The dealer had been commissioned by FmHA to sell the items but did not return the proceeds. The dealer was ordered to make full restitution to FmHA and serve 5 years' probation.

BUSINESS AND INDUSTRIAL (B&I) LOAN PROGRAM

Lender Servicing of Some FmHA-Guaranteed B&I Loans Was Negligent

The purpose of FmHA's B&I Loan Program is to improve business and employment in rural communities. Under the B&I Loan Program, FmHA guarantees loans obtained by borrowers from private lending institutions. The guarantee covers up to 90 percent of the loan. Through their agreements with FmHA, lenders are responsible for servicing the loans, protecting the collateral, and notifying FmHA of any breach of the loan covenants.

We performed audits of several B&I loans in one State to assess the adequacy of the lenders' servicing.

In one audit, FmHA guaranteed 90 percent of over $6 million loaned to a borrower for the expansion of his resort facilities. Our audit disclosed the following negligent servicing actions on the part of the lender:

- The lender did not notify FmHA that it was foreclosing on the borrower and liquidating the collateral on four of his five loans. Even though these four loans were not guaranteed by FmHA, the collateral securing them also secured the FmHA-guaranteed loan.

- The lender did not pay the 1989 and 1990 property taxes on the collateral securing the FmHA-guaranteed loan. The delinquent property taxes, totaling over $173,000, jeopardized ownership of the collateral.

- The lender extended a $400,000 loan to the borrower without first getting FmHA's approval.

We performed an audit of another loan in which FmHA guaranteed 90 percent of about $5 million for the construction of a resort facility. Our audit disclosed that this lender also was negligent in its loan-servicing actions.

- The lender neither required the borrower to fund the property tax escrow account nor paid the property taxes. As a result, property taxes totaling about $162,000 were delinquent, and the right to collect them had been sold to a third party. Nevertheless, the lender incorrectly certified to FmHA that the borrower's property taxes were current.

- The borrower incurred additional obligations and liabilities, totaling over $1.8 million, without obtaining the lender's or FmHA's approval. The lender should have discovered these liabilities by reviewing audited financial statements required by the loan agreement. The financial statements, however, had not been submitted.

- The borrower signed a $1.9 million promissory note to a third party, using as collateral the property already serving as collateral to the FmHA-guaranteed loan.

For both loans, the lenders' negligent servicing increased the potential for loss to FmHA should the borrowers default on their guaranteed loans. The delinquent property taxes, liens, and judgements have taken a superior position to FmHA's interest on the collateral. We recommended FmHA notify the lenders that in the event of a loss, FmHA's guarantee will be reduced. FmHA agreed and has sent the notification.

Borrower Pays $469,000 as a Result of False Claims

As the result of an OIG investigation in Puerto Rico, a B&I loan borrower pled guilty to making false statements to FmHA. The borrower concealed his assets on three documents: his application for settlement of indebtedness, his corporate balance sheet, and his personal balance sheet. In the final disposition of this case, the borrower paid FmHA approximately $468,000 to settle his account and was ordered to pay a $1,000 fine.

RURAL RENTAL HOUSING (RRH) PROGRAM

Unauthorized Withdrawal of Project Funds

At the request of a State office, we reviewed a borrower's handling of the reserve accounts for nine RRH projects he owns. As part of the RRH loan agreement, borrowers are required to maintain reserve accounts to provide for future capital needs and, in accordance with regulations, make withdrawals for return on investment.

We found that over a 4-year period, the borrower withdrew $447,000 from seven of the nine RRH projects' reserve accounts without FmHA's authorization. The borrower contended that the withdrawals were for authorized purposes, but he could not provide documentation. At the time of our review, the seven reserve account balances were $258,000 below required levels. The borrower had also withdrawn $120,000 in funds from six projects as a return on investment, but he had no approved budget to support such withdrawals.

We recommended that FmHA establish supervised bank accounts for all project reserve funds. This should preclude future unauthorized withdrawals by the borrower since FmHA must cosign disbursements. We also recommended that the borrower be required to restore the $258,000 to the reserve accounts and the $120,000 to the project accounts. FmHA agreed with our recommendations.

Engineer Guilty of Environmental Fraud

As the result of an OIG investigation, an engineer, his corporation, and one employee were charged in a 10-count indictment with conspiring to defraud the Government, making false statements, violating the Clean Water Act, and engaging in mail fraud. The investigation involved a $3.2 million FmHA-financed wastewater disposal project for a town in central Florida. The site the engineer selected as the effluent spray field was not suitable and would not have been approved by the State had the engineer reported the correct data showing the proximity of the groundwater table and of neighboring wells containing potable water. Also, the engineer had pipes, a culvert, and swales installed to drain runoff and effluent into nearby wetlands and Federal waters. The employee pled guilty to violating the Clean Water Act and was sentenced to perform 200 hours of community service and placed on 2 years' probation. The engineer pled guilty to violating the Clean Water Act, making false statements, and mail fraud. He was sentenced to 5 months in prison, 12 months' supervised release, and 5 years' probation. The corporation was sentenced to 5 years' probation and, jointly with the engineer, ordered to pay restitution of $72,000 to FmHA and the town involved.

FEDERAL CROP INSURANCE CORPORATION (FCIC)

The FCIC is a wholly owned Government corporation created in 1938 to improve the economic stability of agriculture through a sound system of crop insurance. The program was revised in 1980 to expand coverage and require the use of the private sector to sell and service crop insurance policies. The new rules also required that premium rates be set so that the subsidized premium would cover indemnity costs and provide for a reserve. The Corporation is charged with providing an actuarially sound, cost-sharing insurance program to protect agricultural producers against production losses due to unavoidable causes.

However, while the number of producers participating has increased, the program has never been actuarially sound. Sales premiums for crop year 1990 totaled $838 million while indemnities totaled over $1 billion, a loss ratio of 1.23.

Improper Coverage and Adjustments Result in $1.5 Million in Excess Indemnities

Overpayment of FCIC claims has been identified as a "high-risk" area by the Department. Previously, we reported FCIC's efforts to correct problems in this area by expanding its compliance staff and increasing its number of reviews. FCIC has also initiated a comprehensive enforcement strategy to combat fraud and program abuse by imposing various sanctions. Because of the risk in this area, we have continued to include claims adjustment as a part of our audit coverage.

During this period, our audits were targeted at claims over $90,000. We selected 16 claims covering 8 different crops in 10 States. Coverage was limited to crop years 1989 and 1990 and included claims adjusted by both reinsured companies and FCIC. Our review identified problems with the servicing of policies by insurance agents and the adjusting of claims by loss adjusters. We found that because of incorrect coverage and improper adjustments, insureds received excessive indemnity payments totaling $1.5 million. Agents insured crops on acreage that was ineligible for FCIC insurance coverage, used incorrect actuarial classifications, and allowed changes in prices and acreage after closing deadlines. Loss adjusters made errors in determining eligible production-to-count and did not always verify insured acreage.

We recommended that FCIC recover overpaid indemnities and administrative expenses and that agents and adjusters follow proper servicing and adjustment procedures. FCIC has agreed to take corrective action.

Insurance Official Received Kickbacks

The owner of a crop insurance firm in Mississippi, who at one time was an employee of FCIC, pled guilty to conspiring to defraud the FCIC. Our investigation found that the owner submitted approximately $156,000 in false crop insurance claims and received approximately $29,000 in kickbacks from an insured farmer who conspired with him in the schemes. Sentencing is pending.

FINANCIAL, ADMINISTRATIVE, AND AUTOMATED PROCESSES

FINANCIAL MANAGEMENT

Financial Statement Audits

OIG has continued to implement the requirements of the Chief Financial Officers (CFO) Act of 1990. During this reporting period, we completed audits of the FY 1990 financial statements of the Commodity Credit Corporation (CCC) and the FY 1991 financial statements of the Federal Crop Insurance Corporation (FCIC) and the Rural Electrification Administration/ Rural Telephone Bank (REA/RTB).

Audit of CCC's Fiscal Year 1990 Financial Statements

We issued an unqualified (clean) opinion on CCC's FY 1990 financial statements. However, we identified five areas in which CCC's accounting policies varied from those in the Federal guidelines:

- CCC needs to ensure that commodity inventories are recorded properly. Inventories should have been valued at their cost or their market value at acquisition, whichever was lower. Under CCC procedures, commodity loan losses were recognized as inventory losses, the cost of commodity operations was overstated, and the cost of the commodity loan program was understated.

- CCC reported estimates on its financial statements, even though more reliable information was available. These estimates, for production adjustment and disaster expenses, understated expenses by $1.7 billion.

- CCC's future payout of about $100 million was not recorded and reported for the Dairy Termination Program.

- Delinquent interest was added to the outstanding loan amounts and incorrectly recorded as interest income when foreign loans were rescheduled.

- The allowance for losses on foreign loans and associated accrued interest should have been higher by $508 million and $17.3 million, respectively, provided foreign governments successfully implemented approved developmental projects under currency use offset agreements.

We also reported three material internal control weaknesses:

- Information in the subsidiary accounting systems substantially disagreed with the general ledger accounts in the financial management systems.

- CCC's yearend closing procedures do not permit CCC to prepare its financial statements in an accurate and timely manner.

- Data security controls need to be strengthened in the State and County Office Automation Project.

We also noted the same noncompliance reported in prior audits: CCC incorrectly used $2.9 billion of its FY1988 appropriations and has not yet reimbursed the U.S. Treasury for this debt.

CCC agreed with the findings in the internal control and noncompliance reports and has initiated corrective action.

Audit of FCIC's Fiscal Year 1991 Financial Statements

We issued an unqualified (clean) opinion on FCIC's FY1991 financial statements. However, the Report on Internal Control Structure included two reportable internal control weaknesses:

- Internal agency reviews, primarily of reinsurance activities, needed to be completed in a more timely manner.

- Additional procedures were needed to ensure that all agency transactions processed by the National Finance Center (NFC) were reconciled monthly.

FCIC managers agreed with these internal control findings and have initiated corrective action.

Audit of REA/RTB's Fiscal Year 1991 Financial Statements

We issued an unqualified (clean) opinion on REA/ RTB's FY 1991 financial statements. However, the Report on Internal Control Structure included two reportable internal control weaknesses:

- REA needed to revise, enhance, and formally document its method for estimating the amount of potential loan loss for problem loans to ensure the method is used uniformly. This condition was considered to be a material weakness.

- REA needed to obtain more detailed information from the NFC about certain asset liability and equity account balances, and implement better procedures to review the accuracy and reasonableness of the NFC information.

REA managers agreed with these internal control findings and have initiated corrective action.

OFFICE OF FINANCE AND MANAGEMENT (OFM)

Two major responsibilities of OFM involve the management and operation of USDA's Working Capital Fund (WCF) and the NFC in New Orleans. The WCF is used to finance services provided to USDA and non-USDA agencies on a centralized cost-reimbursement basis. OFM monitors and supervises fund management activities. The NFC and the National Computer Center are financed through the WCF. NFC maintains the Central Accounting System and provides centralized financial and accounting services for USDA agencies and more than 30 other Federal departments and agencies outside USDA. During this reporting period, we completed an audit of the WCF and two audits of NFC. One of the audits of NFC addressed the controls over general ledger adjustments, and the other sought to determine whether corrective actions taken on prior audit recommendations were effective.

Over $880,000 in Old Accounts Receivable Remain Uncollected

The WCF'S Report on Financial Position treated 137 accounts as current accounts receivable even though they were more than 1 year past due. Some of the accounts were as much as 12 years past due. Although the accounts totaled over $880,000, OFM did not appear to have made any substantial effort to collect them or analyze their collectability. The accounts became excessively delinquent because OFM did not have adequate controls over billing followup.

We also found several weaknesses in inventory accounting: (1) the inventory balance on the Report on Financial Position was understated by about $700,000 because the inventory maintained by the Central Supply Store was not included in the balance, (2) the Office of Operations did not research differences noted between physical inventory counts and perpetual records and wrote off over $168,000 of inventory without proper justification, and (3) the Central Supply Store maintained $500,000 more in inventory than is authorized by Congress and had not requested the authority to do so.

We recommended that OFM develop billing followup procedures for WCF activities, and follow up on the past-due accounts by trying to collect those that are collectible and writing off those that are not. In addition, we recommended that OFM establish controls to limit Central Supply Store inventories to the amount authorized by Congress or seek legislation to increase the limit. OFM agreed to implement the recommended corrective actions.

Controls Over NFC General Ledger Adjustments and Suspense Accounts Need Improvement

Our review indicated that NFC needs better controls over adjustments made to the general ledger. Of 53 adjustments we reviewed, about 70 percent were processed without the supporting documents showing the preparer or supervisor, and about 75 percent did not have sufficient audit trails to enable reviewers to readily identify the supporting documents.

Because NFC did not preserve adequate audit trails, we were unable to find source documents for suspended transactions totaling about $42 million out of about $63 million reviewed. We also reviewed about $311 million in transactions that had remained in suspense for up to several years and learned that NFC had no plans for clearing the suspense accounts of about $127.5 million.

The charts below illustrate the results of our review:

Figure 5

SUSPENDED TRANSACTIONS

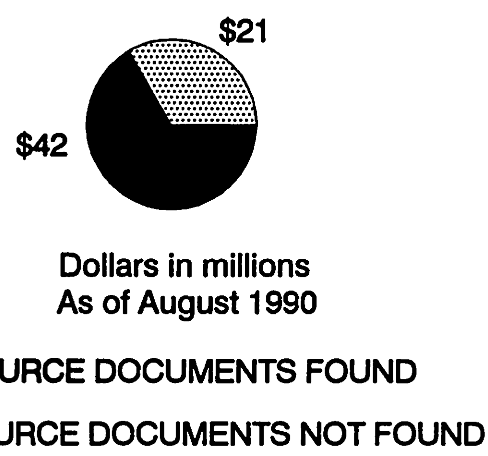
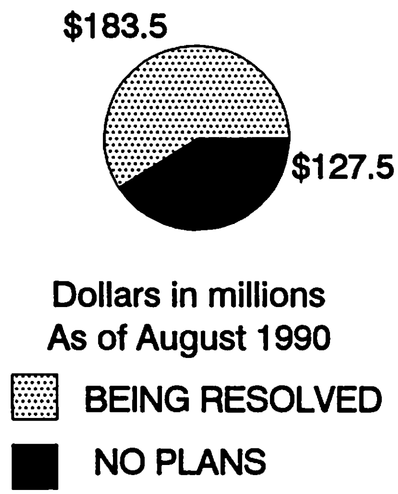


Figure 6

PRIOR PERIOD TRANSACTIONS



We recommended controls to ensure that general ledger adjustments, suspense account entries, and disbursements are properly processed and supported by adequate audit trails. OFM officials generally agreed with 16 of the 20 recommendations and have initiated corrective action. The remaining four recommendations are being reevaluated.

OFM's Corrective Actions on Audit Findings Are Not Always Effective

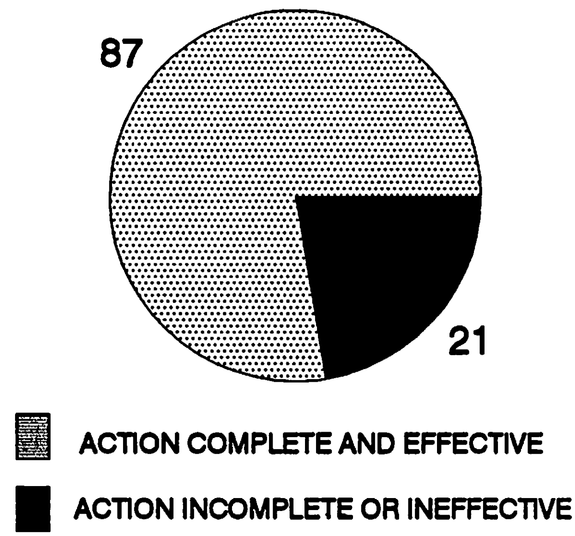
We evaluated 108 recommendations from 19 audit reports on NFC activities issued from FY 1986-90. The audits were performed by OIG, the General Accounting Office, and independent auditors. We assessed the corrective actions taken on security over automated data processing (ADP) systems, submission and verification of input documents, control over payments, processing of agency billings and collections, and the balancing and reconciliation of general ledger accounts. We also evaluated the system NFC uses to track audit recommendations.

For approximately 20 percent of the 108 recommendations we reviewed, the corrective actions implemented were not effective or were not sustained.

While none of the problems we identified were material control weaknesses, we recommended that NFC improve its audit resolution system by (1) requiring an independent unit to perform spotchecks to ensure corrective actions are effective, and (2) performing periodic tests of problem areas to ensure corrective actions are sustained. OFM officials agreed with the

Figure 7

CORRECTIVE ACTION ON AUDIT RECOMMENDATIONS



recommendations and provided a comprehensive action plan for timely implementation.

OFFICE OF INFORMATION RESOURCES MANAGEMENT (OIRM)

One of OIRM's primary responsibilities is monitoring the security of the Department's ADP resources. OIRM coordinates this function through its ADP security officer, who works with USDA agencies to ensure that ADP controls are in place and are effective, and that security breaches are handled properly. We have continued to place a high priority on audits of security over the Department's two major computer centers and of the many distributed systems and networks maintained by USDA agencies. These systems are inherently vulnerable to security problems, and require careful review by both management and audit staffs.

FCIC Minicomputer Systems Vulnerable to Unauthorized Access

We reviewed ADP security at FCIC's Field Underwriting Offices and at its Kansas City office to determine if the minicomputers at those sites were vulnerable to unauthorized access.

We found that security practices at the Field Underwriting Offices were inadequate to detect unauthorized intrusions while they were occurring. By using common hacker techniques, we were able to access the minicomputer systems. Even after FCIC personnel became aware of our intrusions and took actions to prevent any others, we were still able to capture some password files from the FCIC systems. Running these files through a "password cracking program" gave us user identifications and passwords to other portions of the minicomputer systems.

In addition, FCIC had not documented security practices at the field sites so employees would know how to detect unauthorized intrusions and how to handle them. Also, FCIC had not determined whether the minicomputers ran systems sensitive enough to require greater security at each site.

We recommended that FCIC identify its system vulnerabilities and establish practices to prevent or detect unauthorized intrusions. We also recommended that FCIC identify the sensitive systems running on the minicomputers and prepare site-specific plans to protect them. FCIC agreed to implement the corrective actions we recommended.

FmHA Needs To Improve Controls Over Data Security, Transaction Processing, and Computer Equipment

We conducted reviews at the FmHA Finance Office and 38 field offices in 5 States to determine whether FmHA maintained the integrity of and security over data transmitted from the field offices to the mainframe computer at the National Computer Center (NCC) in Kansas City. Our audit disclosed that improvements could be made to security and internal control procedures in FmHA field offices. Security weaknesses left sensitive files vulnerable to unauthorized access and enabled us to penetrate the systems. Also, the internal control weaknesses we found could allow errors in processed transactions. Specifically, personnel were routinely bypassing edit checks without authorization, and field offices did not always prepare, approve, and maintain source documents for the transactions. We also tested inventories of computer equipment at 30 field offices and determined that 23 did not have complete or accurate records.

We recommended that FmHA officials increase monitoring and develop written procedures for field offices. FmHA officials generally concurred with our findings and have initiated action on 30 of the 32 recommen-dations. The remaining two recommendations are still being evaluated.

NCC Did Not Fully Implement Audit Recommendations on ADP Security

We conducted a followup audit at the NCC in Kansas City to determine if the corrective actions taken in response to a prior audit of ADP security addressed the problems we found. The original audit's objective was to determine if NCC was properly administering and controlling the operating system security mechanisms. Data security in NCC's mainframe computers is important because these computers process billions of dollars in payments and contain data critical to the continued operation of user agencies.

We found that procedures and controls needed to be strengthened to ensure compliance with audit resolution directives. During our followup review, we found that some of the same problems continued to exist. For 15 of the 27 recommendations we reviewed, NCC had either not fully implemented agreed-upon corrective actions, or the corrective actions taken were not effective.

We recommended that NCC complete corrective action on recommendations made in our prior report. NCC's response is in process.

AGENCY AUTOMATED DATA PROCESSING

FNS and the U.S. Department of Health and Human Services (HHS) are jointly responsible for approving State ADP systems that provide more efficient administration of the Food Stamp Program (FSP) and the Aid to Families with Dependent Children (AFDC) program. The costs of the ADP equipment are shared by FNS, HHS, and the State involved, based on an allocation plan prepared by the State and approved by HHS.

FNS Needs To Provide More Onsite Monitoring of a State's ADP System

During this reporting period, we reviewed a system one State is designing to serve the Food Stamp, AFDC, Medicaid, Child Support Enforcement, and Refugee Assistance Programs. One common application form will be used to record client eligibility information. A caseworker will interview the applicant and enter the information into a computer connected to the system's mainframe at the data center. The system will then determine the applicant's eligibility and benefit level for each of the programs included in the system. At the time of our review, the projected costs of the system totaled almost $114 million. This amount included FNS funding of over $20 million. We found that the State had not complied with FSP regulations that require it to obtain prior approval for contract modifications and changes to the common application form. Delays in scheduled pilot testing limited our review, and contract disputes over system capacity resulted in further delays that caused HHS to withhold certification of the system. Regional officials made only six onsite monitoring visits during the 4-year planning and development process. We recommended that FNS conduct more onsite visits to ensure effective monitoring.

FNS officials agreed to place a high priority on monitoring the project and provided a list of planned onsite visits in FY 1992. They also agreed to work with the State to revise the common application form.

CONTRACT AND FEDERAL ASSISTANCE AWARDS

Implementation of Federal Lobbying Prohibitions Assessed

Public Law 101-121 prohibits recipients of Federal contracts, grants, cooperative agreements, and loans from using Federal funds to influence any Federal employee or member of Congress for a Federal award. The law requires recipients to certify they did not use Federal funds for such activities and to disclose if they used their own funds.

In FY 1990, the Department established procedures for agencies to implement the provisions of the law. To determine if Federal funds were being properly used and reporting requirements were met, we reviewed recipients of contracts, grants, cooperative agreements, and awards made by six agencies during FY 1991. The six agencies awarded almost $5.7 billion in that year. We conducted our review at the national offices of these agencies and at 50 field locations.

Our audit did not disclose any unauthorized use of Federal funds, but we did find that required certification statements were not always obtained. We tested 151 Federal awards valued at over $93 million, and found that three agencies did not obtain certifications from 53 award or subaward recipients (35 percent). These 53 recipients received about $20 million in USDA funds. One agency did not obtain the certifications because its managers had not issued instructions implementing the law as it related to loans, grants, and cooperative agreements until August 1991, near the end of the fiscal year. The two other agencies either misapplied the certification requirements or provided insufficient oversight to field personnel.

We recommended that the three agencies obtain certifications from the 53 award or subaward recipients; that one agency seek guidance from the Office of the General Counsel regarding the applicability of the law to subawards under one of its programs; and that one agency include in any audits of recipients' funds additional tests to assure compliance.

In response, program officials agreed to ask the General Counsel for guidance regarding implementing the law, and to obtain the missing certifications. Officials did not agree that audits of recipients should include additional tests to assure recipient compliance. We are continuing to work with agency officials to resolve this issue.

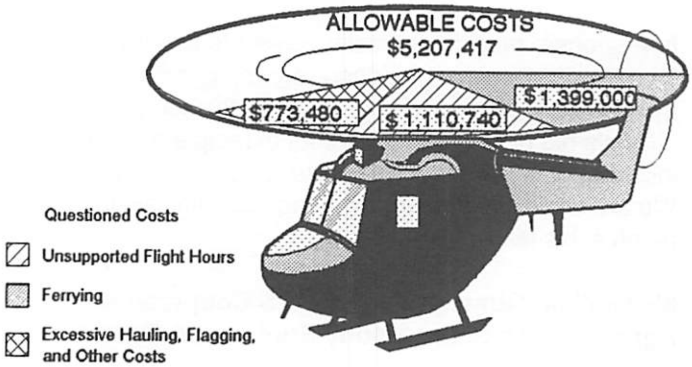
$3.2 Million Questioned in APHIS Cooperative Agreement To Share Medfly Eradication Costs

APHIS and the California Department of Food and Agriculture (CDFA) cooperate to control several types of fruit flies, of which the Medfly is potentially the most destructive. Over the past 10 years, there have been several Medfly outbreaks of varying magnitude. In 1989, California suffered a severe infestation, causing the agencies to enter into a cooperative agreement to eradicate the pest. By the end of the project, the combined costs for APHIS and CDFA totaled about $63 million, which both agencies shared equally.

Our audit of the CDFA cooperative agreement disclosed that APHIS did not have adequate controls to identify that CDFA significantly overpaid the project's largest contractor and used contracting practices that discouraged competitive bidding. APHIS officials believed they could rely entirely on the A-128 single audit process to disclose any noncompliance with the agreement, but CDFA has not been included in such an audit since 1988.

The largest contractor in the project was the helicopter contractor, billing over $8 million for aerial insecticide spraying. We questioned $3.2 million, nearly 40 percent of CDFA's payments for these services, because the services were not in compliance with contract provisions or were not supported. CDFA paid $1.4 million to "ferry," or transport, helicopters between the home port and spraying site even though these costs should have been included in the contractor's bid rate. CDFA also paid the contractor $1.1 million for unsupported flight time claimed during the insecticide spraying. Flight logs, which were the basis of payment for helicopter services, did not support 555 hours billed on the contractor's invoices. CDFA overpaid the contractor $773,000 for other overcharges, such as excessive rates to haul insecticide to the spraying area. Figure 8 illustrates the questioned costs for helicopter services.

Figure 8



In addition, CDFA's requests for reimbursement for project costs contained over $1 million in errors. Of this amount, $443,000 was in overcharges and $582,000 was in undercharges. Although the net cost to the Federal Government of the errors was minimal, their presence reflects the general condition of CDFA's recordkeeping. Without some form of review by APHIS of CDFA's project records, APHIS' assurance of the appropriateness of project costs is seriously weakened.

We recommended that APHIS (1) review reimbursement claims on cooperative agreements, (2) help CDFA change its bid solicitation process to stimulate competition for future contracts, and (3) recover its share of questioned costs. Because of the emergency nature of the program, APHIS officials are considering writing off the amount of costs we questioned; however, they have agreed to strengthen procedures to prevent future problems. We are continuing to work with APHIS to achieve a management decision with regard to the questioned costs.

Approval of Indirect Cost Rates by FSIS Needs Additional Oversight

FSIS reviews and approves indirect cost rates for 39 State agencies that use the rates in their claims for Federal reimbursement of program costs. These States receive about $38 million in financial assistance from FSIS. We reviewed FSIS procedures related to this process.

We found that FSIS procedures need to be strengthened. The accounting data submitted by the States did not allow FSIS to identify misclassified costs in the indirect cost proposals. Also, FSIS field reviews primarily covered the allowability of direct costs, not the classification of direct and indirect costs.

The importance of controls over proposed rates is illustrated in our review of one State agency. The State's cost misclassifications had overstated indirect cost rates and caused excessive Federal reimbursements of nearly $274,000 over a 3-year period. In one instance, the direct costs of two small nonreimbursable programs, totaling over $500,000, were erroneously misclassified as indirect costs. By including this amount in the indirect cost pool, the State received $83,000 in excess reimbursements.

In response to our audit, FSIS officials have strengthened agency procedures for establishing and monitoring indirect costs, and have adjusted the State's indirect cost rate to recover the overpayments.

AUDITS OF CONTRACTS

OIG audits of contracts are performed to assist USDA procurement offices in the negotiation, administration, and settlement of contracts and subcontracts. During this period, OIG performed or arranged for audits of 10 pricing proposals, cost reimbursement contracts, or contractor claims. These audits resulted in questioned costs or potential savings of more than $740,000. Also, management decisions were made on 15 audits, resulting in savings of about $278,000.

- At the request of the Agricultural Research Service (ARS), we audited a contract price proposal of over $7.6 million. The proposed contract was to run for a period of 5 years (including 4 option years) and would require the contractor to operate and maintain the facility and equipment at an ARS regional research center. The audit questioned costs of about $185,000 as not being supported or allocable to the contract. The contracting officer agreed to use the audit results in the negotiation of the contract price.

- APHIS asked us to audit a contract price proposal to provide aircraft, pilots, and ground services for the release of sterile screwworm flies in Mexico and Guatemala. The audit questioned indirect costs of $430,000 and direct costs of $61,000 of the total estimated contract price of about $3.4 million. The audit found that the pricing proposal included salary; employee benefits; and fuel, maintenance, and aircraft insurance costs associated with other business activities. We also questioned the proposed profit rate as being excessive. APHIS used the audit results to negotiate an estimated $200,000 price reduction for the option year. APHIS also requested a legal opinion from the General Counsel as to whether it could recover the $491,000 in costs questioned during the expired contract year.

EMPLOYEE-RELATED INVESTIGATIONS

Employee Integrity

Investigation of allegations involving employee misconduct is a high priority for OIG. During the past 6 months, our investigations into serious employee misconduct resulted in 9 indictments of USDA employees and 24 personnel actions, including removals, suspensions, and resignations. Following are examples of some of these investigations:

Former Forest Service Law Enforcement Director Sentenced

The former top law enforcement official of the Forest Service resigned his position and pled guilty to inflating real estate sales expenses for which he claimed reimbursement during his transfer to Washington, D.C. The plea followed the filing of a three-count Federal indictment in Colorado charging the official with making false statements, conspiring to file a false claim, and converting the claim proceeds. The latter two counts were dismissed as part of a plea agreement. The official was sentenced to 2 years' probation and ordered to make restitution of over $9,000.

FmHA Construction Inspector Pleads Guilty To Accepting Bribes

An FmHA construction inspector in Florida accepted $2,300 in bribes during an undercover OIG/FBI investigation. In return for the money, the inspector offered to overlook construction defects in a FmHA project. The construction inspector pled guilty and was sentenced to serve 3 months in a community treatment center, fined $100, ordered to pay $2,300 in restitution, and placed on 3 years' probation upon his release from the community treatment center. The inspector is no longer employed by FmHA.

County Employees Embezzle FmHA Payments

A former FmHA employee in Nebraska pled guilty to charges of embezzling approximately $3,000 in FmHA funds which had been paid to the agency as loan payments. The employee resigned. Sentencing is pending.

In another case, a FmHA county program assistant in Alabama was indicted and pled guilty to embezzling $454 in rural housing payments. The program assistant made restitution to FmHA, was sentenced to 3 years' probation, and resigned.

ASCS Employee Used Computer To Embezzle Funds

An ASCS county executive director in Kentucky pled guilty to setting up fictitious farm files and using the ASCS computer system to issue about $25,000 in fraudulent Feed Grain and Disaster Program payments to herself. The employee resigned. Sentencing is pending.

Assaults on Employees

Fortunately, instances of assault involving USDA employees are infrequent. However, OIG gives the investigation of employee assaults top priority when they occur. Six such cases were successfully investigated during this reporting period.

Employee Assaulted Over "Red Tape"

An Arkansas ASCS county executive director was assaulted by a farmer who said he was upset over "paperwork" needed to complete his ASCS honey loans. The farmer accosted the county official in the office parking lot as the employee returned from lunch. The ASCS employee suffered bruises from the incident. The farmer was arrested and convicted of the assault charge. He was fined $750 and placed on probation for 1 year.

ASCS Employee Assaulted During Farm Visit

A North Carolina tobacco farmer pled guilty to assaulting an ASCS county executive director. The assault occurred over a dispute involving the measurement of a tobacco field. After assaulting the director, the farmer removed official documents from the director's vehicle and ordered him off the farm. The director was not seriously injured. The farmer was sentenced to 6 months' home arrest, ordered to perform 50 hours of community service, ordered to pay approximately $600 in restitution, and placed on 2 years' probation.

Meat Packer Pleads Guilty to Assaulting FSIS Meat Inspector

A Nebraska meat plant owner, indicted for forcibly assaulting and interfering with an FSIS meat inspector while engaged in the performance of his official duties, pled guilty to a related misdemeanor charge of failing to allow the inspector an opportunity to examine the plant facilities and records. The plant has since closed and withdrawn from Federal inspection. Sentencing is pending.

APHIS Employee Assaulted While Testing for Disease

The owner of a Tennessee stockyard was convicted of assaulting an APHIS animal health technician who attempted to test dairy cattle suspected of having brucellosis. The stockyard owner did not want the cattle quarantined, even though the tests showed they had the disease. He also assaulted a local veterinarian who was assisting the APHIS employee. The owner was given a $1,000 fine and sentenced to 2 months in a rehabilitation center, 2 months under house arrest, and 2 years' probation.

FmHA Employee Held Prisoner

The brother of a Michigan farmer pled no contest to charges of assaulting an FmHA county supervisor, who discovered the farmer, brother and mother in the process of selling FmHA-mortgaged property at an auction. The brother held the county supervisor prisoner on his farm while the auction was in progress. The farmer's mother, who sold the FmHA-mortgaged equipment, has paid a judgment of approximately $36,000. The farmer pled guilty to charges of converting FmHA-mortgaged livestock. Sentences are pending.

OIG Agents Threatened

In Virginia, a father and son were arrested and charged with assaulting two OIG agents after threatening them during the course of an investigation. The two men, both tobacco farmers, had agreed to meet the agents at their farm to discuss their production of nonquota tobacco. When the agents arrived at the farm, the father and son grabbed them and threatened them with bodily injury. The men were arrested and charged in U.S. district court.

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	Total Dollar Value at Issuance	Amount With No Mgmt. Decision
Audits Pending Agency Action					
ASCS	7/20/89	1.	Maximum Payment Limitation Provisions in Arkansas (03097-4-Te)[a]	$2,867,614	-0-
	6/21/90	2.	1988 Livestock Feed Program in Texas (03600-11-Te)[a]	$587,512	$168,254
	6/20/91	3.	Forestry Incentives Program (03600-5-At)	$152,354	$131,435
	9/30/91	4.	1989 Payment Limitation Operations in Arizona (03600-13-KC)	$3,309,231	$3,297,277
FCIC	3/13/91	5.	Insurance Contracts with Large Indemnity Payments Adjusted by Crop Hail Management (05600-3-Te)[a]	$122,588	$122,588
FmHA	5/10/89	6.	Business and Industrial Loan to Gulf Coast Wood Products (04099-149-Te)[a]	$4,350,000	$4,350,000
	3/28/90	7.	Texas State Office Business and Industrial Loan Program (04002-1-Te)[a]	$4,899,161	$4,899,161
	12/20/90	8.	Nonprofit National Corporations Loan and Grant Program (04600-6-Te)	$2,870,668	$979,600

	9/27/91	9.	Debt Restructuring of Farmer Program Guaranteed Loans (04600-2-Te)	$87,825	$85,545
	7/16/91	10.	Termination Settlement Proposal Under Contract No. 52-3137-9-003 (04545-12-Te)	$786,051	$786,051
	9/30/91	11.	Audit FY 1990 Financial Statements (04600-9-Fm)	$ 0	$ 0
FNS	9/30/91	12.	Security and Accountability Over Food Stamp Coupon Printing (27006-2-Hy)	$2,938,300	$2,938,300
Audits Pending OGC Assistance					
ASCS	9/23/91	13.	Action on Payment Limitation for 1989 (03600-15-Te)	-0-	
Audits Pending Action Outside the Department					
FmHA	9/02/88	14.	Business and Industrial Loan to Le Bossier Hotel (04099-135-Te)[a]	$8,736,576	$8,736,576
SCS	12/20/90	15.	Allegheny Construction Co. Contract Dispute (10545-0031-Hy)[a]	$211,726	$211,726

[a]Reported in last Semiannual Report

1. **Maximum Payment Limitation Provisions in Arkansas, Issued July 20, 1989**

   ASCS has not provided documentation that all claims have been established as recommended. We are continuing to work with the agency to obtain the needed documentation.

2. **1988 Livestock Feed Program in Texas, Issued June 21, 1990**

   Before completing the recommended corrective action, ASCS is awaiting the outcome of an investigation and the decision by a U.S. attorney whether to prosecute two producers cited in the report.

3. **Forestry Incentives Program, Issued June 20, 1991**

   ASCS is reviewing its program regulations to determine whether corrective action is needed concerning our recommendation that producers provide proof of payment for cost-share programs. To achieve a management decision, ASCS must provide OIG with the timeframes established to complete this review.

4. **1989 Payment Limitation Operations in Arizona, Issued September 30, 1991**

   The ASCS national office will review three cases of possible evasion of payment limitation provisions and determine the propriety of the partnerships and payments. We are waiting for the outcome of the national office review.

5. **Insurance Contracts with Large Indemnity Payments Adjusted by Crop Hail Management, Issued March 13, 1991**

   We questioned insurance payments to four entities because the adjuster did not properly adjust the claim or the insured failed to report the sale of production. FCIC is reviewing the four cases.

6. **Business and Industrial Loan to Gulf Coast Wood Products, Issued May 10, 1989**

   The audit recommended that FmHA, upon receipt of the lender's loss claim, refer the violations of the lender's agreement to OGC and request that OGC determine the extent to which FmHA may enforce the loan guarantee. The lender has not yet filed an estimated or final loss report with FmHA. Accordingly, the agency can take no further action at this time.

7. **Texas State Office Business and Industrial Loan Program, Issued March 28, 1990**

   We recommended that FmHA conduct an assessment of each questioned loan in the audit to establish the monetary amounts of potential claims against lenders. This will require OGC to determine the extent to which FmHA may enforce the loan guarantees and recover losses covered by the guarantees. FmHA has agreed with the recommendations and its review is under way. Extensive case file analysis is involved in this process.

8. **Nonprofit National Corporations Loan and Grant Program, Issued December 20, 1990**

   The audit recommended that FmHA review technical assistance claims and questionable loans from the Nonprofit National Corporations and recover the funds determined to be ineligible. FmHA (now Rural Development Administration) national officials agreed to implement the recommendations and have issued demand letters to the entities advising them of the unauthorized assistance. The agency has not recorded the funds due as accounts receivable in order to achieve a management decision.

9. **Debt Restructuring of Farmer Program Guaranteed Loans, Issued September 27, 1991**

   The audit disclosed that controls were not adequate to ensure that writedowns performed by lenders were fully documented, shared appreciation agreements were enforced, and data collection and reporting systems were accurate. We are continuing to work with the agency to achieve a management decision.

10. **Termination Settlement Proposal Under Contract No. 53-3157-9-003, Issued July 16, 1991**

    FmHA agreed to use the audit results in the negotiation of the settlement. We are awaiting the results of the final negotiations.

11. **Audit of FmHA FY 1990 Financial Statements, Issued September 30, 1991**

    FmHA's accounting system may not reflect accurate, current data. For some loans, guaranteed loan balances at fiscal yearend contain data that is updated from lender status reports submitted annually or semiannually. Office of Management and Budget guidelines require lenders to submit quarterly updates. We recommended that FmHA require guaranteed loan lenders to adhere to these guidelines and submit quarterly loan updates. Because FmHA's response did not address this recommendation, we have been unable to reach agreement as to the corrective actions necessary.

12. **Security and Accountability Over Food Stamp Coupon Printing, Issued September 30, 1991**

    The audit recommended that FNS recover $2,938,000 for food stamp coupon accountability discrepancies. FNS is proceeding under the authority of the Contract Disputes Act and the Federal Acquisition Regulations to resolve the issue.

13. **Action on Payment Limitation for 1989, Issued September 23, 1991**

    We concluded that certain partnerships were not actively engaged in farming in that they were merely "shells" or "paper" entities organized to qualify additional "persons" for payments. An OGC opinion has been requested concerning this audit.

14. **Business and Industrial Loan to Le Bossier Hotel, Issued September 2, 1988**

    The audit recommended that FmHA refer to OGC the violations of the lender's agreement and request a determination on 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. A determination has not yet been received from the Department of Justice.

15. **Allegheny Construction Co. Contract Dispute, Issued December 20, 1990**

    The contract claim is in litigation.

Indictments and Convictions

Between October 1, 1991, and March 31, 1992, OIG completed 738 investigations. We referred 439 cases to Federal, State, and local prosecutors for their decision.

During the reporting period, our investigations led to 426 indictments and 350 convictions. Fines, recoveries/collections, and restitutions resulting from our investigations totaled about $8.2 million. Costs of about $1.2 million were avoided.

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

Indictments and Convictions

	October 1991 -	March 1992
Agency	**Indictments**	**Convictions[a]**
AMS	3	0
APHIS	3	2
ASCS	28	27
FAS	0	3
FCIC	7	10
FmHA	34	42
FNS	341	259
FS	3	1
FSIS	5	5
SCS	2	1
Totals	426	350

[a] This category includes pretrial diversions.

Hotline Complaints

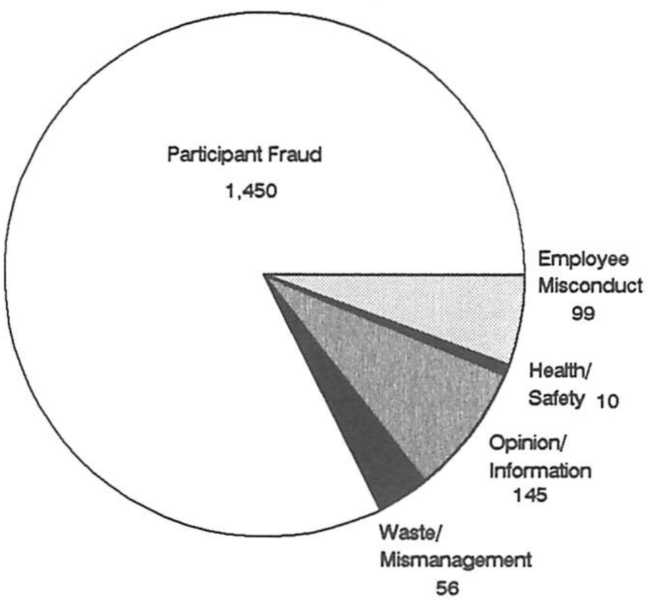
The OIG Hotline serves as a national receiving point for reports, by both departmental employees and the general public, of suspected incidents of fraud, waste, and abuse in USDA programs and operations. During this reporting period, the OIG Hotline received 1,760 complaints. We investigated or audited 150 of these complaints and referred 36 to other Federal law enforcement agencies. We referred 1,236 complaints to the administering USDA agencies for resolution and response to OIG. Of the remainder, we provided 289 complaints to the responsible USDA agency for information (no response to OIG was requested), while 49 contained insufficient information to allow 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 9 shows a breakdown of the various types of allegations for this reporting period.

Figure 9

HOTLINE COMPLAINTS

October 1, 1991 to March 31, 1992
(Total Cases = 1,760)



Freedom of Information Act Activities

During this period, OIG processed 234 requests under the Freedom of Information Act. Details follow:

	This Period
Number of Favorable Responses	99
Number of Unfavorable Responses	135
Total	234
Unfavorable Responses Due to:	
No Records Available	41
Requests Denied in Full	41
Requests Denied in Part	53
Total	135
Other Data Not Affected Directly by the Requests:	
Appeals Granted	0
Appeals Denied in Full	4
Appeals Denied in Part	0
Number of OIG Reports/Documents Released in Response to Requests	292

NOTE: A request may involve more than one report.

INVENTORY OF AUDIT REPORTS RELEASED WITH QUESTIONED COSTS AND LOANS

	NUMBER	DOLLAR VALUE: QUESTIONED COSTS AND LOANS	DOLLAR VALUE: UNSUPPORTED[a] COSTS AND LOANS
A. FOR WHICH NO MANAGEMENT DECISION HAD BEEN MADE BY OCTOBER 1, 1991	65	$150,495,659	$20,844,583
B. WHICH WERE ISSUED DURING THIS REPORTING PERIOD	57	$102,376,060	$12,030,538
TOTALS	122	$252,871,719	$32,875,121
C. FOR WHICH A MANAGEMENT DECISION WAS MADE DURING THIS REPORTING PERIOD	70		
(1) DOLLAR VALUE OF DISALLOWED COSTS			
RECOMMENDED FOR RECOVERY		$90,990,278	$17,943,209
NOT RECOMMENDED FOR RECOVERY		$43,034,455[b]	
(2) DOLLAR VALUE OF COSTS NOT DISALLOWED		$45,709,521	$2,424,919
D. FOR WHICH NO MANAGEMENT DECISION HAS BEEN MADE BY THE END OF THIS REPORTING PERIOD	52	$75,137,708	$12,513,412
REPORTS FOR WHICH NO MANAGEMENT DECISION WAS MADE WITHIN 6 MONTHS OF ISSUANCE	12	$25,942,848	$9,771,748

[a]Unsupported values are included in questioned values.

[b]These costs have been expended erroneously or improperly due to agency action and for which recovery is not possible.

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

	NUMBER	DOLLAR VALUE
A. FOR WHICH NO MANAGEMENT DECISION HAD BEEN MADE BY OCTOBER 1, 1991	21	$1,359,484,572
B. WHICH WERE ISSUED DURING THE REPORTING PERIOD	21	$6,298,502
TOTALS	42	$1,365,783,074
C. FOR WHICH A MANAGEMENT DECISION WAS MADE DURING THE REPORTING PERIOD	25	
(1) DOLLAR VALUE OF DISALLOWED COSTS		$1,168,840,597
(2) DOLLAR VALUE OF COSTS NOT DISALLOWED		$188,422,996
D. FOR WHICH NO MANAGEMENT DECISION HAS BEEN MADE BY THE END OF THE REPORTING PERIOD	17	$8,809,579
REPORTS FOR WHICH NO MANAGEMENT DECISION WAS MADE WITHIN 6 MONTHS OF ISSUANCE	5	$4,827,550

SUMMARY OF AUDIT REPORTS RELEASED BETWEEN OCTOBER 1, 1991, AND MARCH 31, 1992

DURING THE 6-MONTH PERIOD BETWEEN OCTOBER 1, 1991, AND MARCH 31 1992, THE OFFICE OF INSPECTOR GENERAL ISSUED 167 AUDIT REPORTS, INCLUDING 23 PERFORMED UNDER CONTRACT BY CERTIFIED PUBLIC ACCOUNTANTS.

THE FOLLOWING IS A SUMMARY OF THOSE AUDITS BY AGENCY:

AGENCY	AUDITS RELEASED	QUESTIONED COSTS AND LOANS	UNSUPPORTED[a] COSTS AND LOANS	FUNDS BE PUT TO BETTER USE
AGRICULTURAL MARKETING SERVICE	3			
AGRICULTURAL RESEARCH SERVICE	6			$187,879
AG. STAB. & CONS. SERVICE	8	$35,129,023	$13,683	$423,215
FARMERS HOME ADMINISTRATION	14	$14,785,502	$9,847,820	$1,529,287
FEDERAL CROP INSURANCE CORP	12	$1,375,523	$859,857	$85,594
EXTENSION SERVICE	1	$738,768	$176,855	
FOREIGN AGRICULTURAL SERVICE	1			
FOREST SERVICE	7	$569,412	$383,935	$755,421
RURAL ELECTRIFICATION ADMIN.	1			
SOIL CONSERVATION SERVICE	2			$27,952
OFF. FINANCE AND MANAGEMENT	3	$1,285	$1,285	$1,051,460
FOOD SAFETY & INSPECTION SERVICE	1	$274,696		
NAT'L AGRI. STATISTICS SERVICE	1	$40,660,000		
FOOD AND NUTRITION SERVICE	21	$6,364,786	$684,144	$1,715,826
ANIMAL & PLANT HEALTH INSP. SERVICE	5	$1,649,853		$490,890
MULTI-AGENCY/DIVISION CODE	80	$827,212	$62,959	$30,978
OFF. INFO. RESOURCES MANAGEMT	1			
TOTALS	167	$102,376,060	$12,030,538	$6,298,502

TOTAL COMPLETED:	
SINGLE AGENCY AUDITS	87
MULTIAGENCY	80
TOTAL RELEASED NATIONWIDE	167
TOTAL COMPLETED UNDER CONTRACT[b]	23
TOTAL SINGLE AUDITS ISSUED	77

[a]Unsupported values are included in questioned values
[b]Indicates audits performed by others

AUDIT REPORTS RELEASED AND ASSOCIATED MONETARY VALUES
BETWEEN OCTOBER 1, 1991 AND MARCH 31, 1992

AUDIT NO. RELEASE DATE	TITLE	AUDITS RELEASED	QUESTIONED COSTS & LOANS	UNSUPPORTED COST & LOANS	FUNDS BE PUT TO BETTER USE
AGENCY - AGRICULTURAL MARKETING SERVICE					
01-061-0013-CH 92/03/31	RETAILER MONITORING - PUBLIC LAW 272				
01-099-0026-HY 91/11/08	IMPLEMENTATION OF AUDIT RECOMMENDATIONS RELATED TO MARKET DEVELOPMENT-AMS				
01-099-0029-HY 92/02/27	AMS, CRANBERRY REFERENDUM				
	TOTAL: AGRICULTURAL MARKETING SERVICE	3			
AGENCY - AGRICULTURAL RESEARCH SERVICE					
02-011-0001-HY 91/12/09	ADMINISTRATIVE CONTROLS OF ARS CONTRACT WITH TUFTS UNIVERSITY				$3,123
02-099-0002-AT 92/02/20	AIRCRAFT MANAGEMENT				
02-545-0009-TE 91/12/04	AUDIT OF CONTRACT PROPOSAL UNDER SOLICITATION NO. 22-3K-06-91, AVONDALE TECHNICAL SERVICES,				$184,756
02-545-0014-AT 91/11/15	PREAWARD AUDIT OF CONTRACT SERVICES, SRRC, SOL. NO. 22-3K06-91				
02-545-0015-AT 91/10/15	PREAWARD AUDIT OF JOMC, SRRC, SOL. NO. 22-3K06-91				
02-545-0055-HY 92/02/12	DYN CORP PREAWARD AUDIT - ARS, SRRC				
	TOTAL: AGRICULTURAL RESEARCH SERVICE	6			$187,879
AGENCY - AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE					
03-099-0149-TE 91/11/08	1989 DISASTER PAYMENTS IN SELECTED ARKANSAS COUNTIES		$625,353		
03-099-0150-TE 91/11/21	1989 CUCUMBER DISASTER ASSISTANCE PAYMENTS IN TEXAS		$1,253,796	$13,683	
03-099-0155-TE 92/02/11	CONTROL OF PAYMENTS ON FOREIGN OWNED LAND ARKANSAS		$45,178		
03-099-0170-KC 92/03/12	COMPLIANCE WITH HIGHLY ERODIBLE & WETLAND CONSERVATION PROVISIONS IN VERNON COUNTY, MO		$674,491		
03-600-0001-FM 92/03/31	AUDIT OF CCC FINANCIAL STATEMENTS - FY 1990				
03-600-0007-FM 92/03/31	AUDIT OF CCC FINANCIAL STATEMENTS - FY 1990		$30,200,000		
03-600-0022-TE 91/12/26	1989 PAYMENT LIMITATION CASES, DALLAM COUNTY, TEXAS		$1,297,095		$416,550
03-600-0023-TE 92/01/14	1989 PAYMENT LIMITATION CASES, LIBERTY COUNTY, TEXAS		$1,033,110		$6,665
	TOTAL: AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE	8	$35,129,023	$13,683	$423,215

AUDIT REPORTS RELEASED AND ASSOCIATED MONETARY VALUES
BETWEEN OCTOBER 1, 1991 AND MARCH 31, 1992

AUDIT NO. RELEASE DATE	TITLE	AUDITS RELEASED	QUESTIONED COSTS & LOANS	UNSUPPORTED COST & LOANS	FUNDS BE PUT TO BETTER USE
AGENCY - FARMERS HOME ADMINISTRATION					
04-011-0247-HY 92/03/26	AUDIT OF THE HUDSON FALLS NY FMHA CO		$2,711	$2,711	
04-099-0077-HY 91/10/30	ASSESSMENT OF FMHA'S INTEREST CREDIT PROVISIONS-PUERTO RICO		$25,649		
04-099-0087-SF 92/02/10	B&I LOAN SERVICING-VAIL HOLDINGS GROUP, INC. COLORADO		$4,331,222	$4,292,620	
04-099-0089-SF 92/02/04	B&I LOAN PROGRAM-LOAN SERVICING BEAVER CREEK ASSOCIATES INC.-VAIL, CO				
04-099-0090-SF 92/02/04	B&I LOAN PROGRAM - LOAN SERVICING - M-K CORPORATION, COLORADO		$4,312,038	$4,312,038	
04-099-0120-KC 92/02/10	RURAL RENTAL HOUSING PROGRAM SERVICING OF HUD SECTION 8/515 PROJECTS, IN CO		$1,240,451	$1,240,451	$103,756
04-099-0125-KC 92/03/02	GUARANTEED BUSINESS AND INDUSTRY LOAN - LOSS CLAIM, BOZEMAN, MT		$1,495,008		
04-099-0177-TE 92/01/15	GUARANTEED LOAN LOSS CLAIM OF FIRST NATIONAL BANK, CLAUDE, TEXAS				$200,445
04-099-0178-TE 91/12/02	RURAL RENTAL HOUSING - REYNOLDS AND ASSOCIATES, OKLAHOMA				$378,278
04-600-0004-FM 92/02/06	FMHA CONTROLS & SECURITY OVER REMOTE TRANSACTION PROCESSING				
04-600-0007-SF 92/02/04	FMHA - RURAL RENTAL HOUSING - CONSTRUCTION ACTIVITIES - CALIFORNIA				
04-600-0011-TE 92/03/31	SUBSEQUENT LOANS TO NET RECOVERY BUYOUT BORROWERS		$1,550,720		
04-600-0015-AT 91/11/25	LIQUIDATIONS OF FARMER PROGRAM GUARANTEED LOANS		$1,823,741		
04-600-0020-AT 91/12/17	RURAL RENTAL HOUSING - CONSTRUCTION ACTIVITIES IN FLORIDA		$3,962		$846,808
	TOTAL: FARMERS HOME ADMINISTRATION	14	$14,785,502	$9,847,820	$1,529,287
AGENCY - FEDERAL CROP INSURANCE CORPORATION					
05-099-0009-SF 92/01/24	1989 LARGE RAISIN CLAIMS - CALIFORNIA		$7,488		
05-099-0020-AT 92/03/31	LARGE CLAIMS FOR 1989 AND 1990 CROP YEARS		$1,034,814	$859,857	
05-099-0021-AT 91/12/11	LARGE CLAIMS IN FLORIDA, GULF COAST FARMS, CONTRACT NO. 022723				
05-099-0041-FM 92/03/31	SECURITY REVIEW OF DISTRIBUTED MINICOMPUTERS				
05-099-0047-CH 92/03/31	LARGE INDEMNITY PAYMENTS FOR 1989 AND 1990 - MICHIGAN		$1,130		
05-099-0048-CH 92/01/17	LARGE INDEMNITY PAYMENTS FOR 1989 AND 1990 - INDIANA				
05-099-0053-TE 91/12/10	1990 LARGE CITRUS TREE CLAIMS, HILDAGO COUNTY, TEXAS				
05-099-0104-KC 91/10/23	CROP INSURANCE CONTRACTS FOR PRODUCER IN OSBORNE COUNTY KANSAS		$45,449		
05-099-0105-KC 92/03/31	1989 CORN AND SOYBEAN CONTRACT NO. 24-884-048846, VERNON COUNTY, MO, CORP HAIL MGMT.		$118,904		$71,266
05-099-0106-KC 91/12/03	1989 DRY BEAN CONTRACT NO. 46-444-050404 FOR MCCOOK COUNTY, SOUTH DAKOTA		$13,259		$14,328
05-099-0107-KC 92/03/16	1989 DRY BEAN CONTRACT NO. RH-38-116-151329 FOR WALSH COUNTY, NORTH DAKOTA		$154,479		
05-600-0003-HQ 92/03/31	FY 91 FCIC FINANCIAL STATEMENTS AUDITOR'S REPORT				
	TOTAL: FEDERAL CROP INSURANCE CORPORATION	12	$1,375,523	$859,857	$85,594

AUDIT REPORTS RELEASED AND ASSOCIATED MONETARY VALUES BETWEEN OCTOBER 1, 1991 AND MARCH 31, 1992

AUDIT NO. RELEASE DATE	TITLE	AUDITS RELEASED	QUESTIONED COSTS & LOANS	UNSUPPORTED COST & LOANS	FUNDS BE PUT TO BETTER USE
AGENCY - EXTENSION SERVICE					
13-099-0001-KC 92/01/24	USDA SMALL BUSINESS INNOVATION RESEARCH PROGRAM		$738,768	$176,855	
	TOTAL: EXTENSION SERVICE	1	$738,768	$176,855	
AGENCY - FOREIGN AGRICULTURAL SERVICE					
07-099-0027-HY 91/12/10	IMPLEMENTATION OF AUDIT RECOMMENDATIONS RELATED TO MARKET DEVELOPMENT-FAS				
	TOTAL: FOREIGN AGRICULTURAL SERVICE	1			
AGENCY - FOREST SERVICE					
08-097-0013-SF 91/11/30	MINERALS AREA MANAGEMENT PACIFIC SOUTHWEST REGION				
08-099-0009-HY 92/01/15	MANAGEMENT OF STATE & PRIVATE FORESTRY GRANT & AGREEMENTS -NE AREA OFC, RADNOR, PA.		$406,905	$383,935	
08-099-0010-KC 91/10/23	ADJUSTMENTS TO THE "25 PERCENT FUND" AND RANGELANDS AND GRASSLANDS				$3,620
08-099-0038-AT 92/02/20	ADMINISTRATIVE USE OF AIRCRAFT		$162,507		
08-099-0118-SF 92/03/26	FS TIMBER SALE SKEWED BIDDING CONTROLS				$751,801
08-545-0055-SF 91/10/31	DIRECT COSTS & INDIRECT COST RATES - THE AEROSPACE CORP,EL SEGUNDO,CA - FYE 9/30/88				
08-545-0057-SF 92/02/11	DIRECT COSTS AND INDIRECT COST RATES - UNIV OF AK, FAIRBANKS, AK - FYES 6/30/86 & 6/30/87				
	TOTAL: FOREST SERVICE	7	$569,412	$383,935	$755,421
AGENCY - RURAL ELECTRIFICATION ADMINISTRATION					
09-600-0003-HQ 92/03/31	FY91 REA FINANCIAL STATEMENTS				
	TOTAL: RURAL ELECTRIFICATION ADMINISTRATION	1			
AGENCY - SOIL CONSERVATION SERVICE					
10-545-0002-AT 92/01/31	AUDIT OF CONTRACT CLAIM - MCGEE LANDSCAPING, NO. 50-4741-9-706				
10-545-0028-SF 92/01/30	PRICE PROPOSAL REVIEW - METEOR COMMUNICATIONS CORPORATION, KENT, WASHINGTON				$27,952
	TOTAL: SOIL CONSERVATION SERVICE	2			$27,952
AGENCY - OFFICE OF FINANCE AND MANAGEMENT					
11-010-0003-HY 92/03/31	GENERAL REVIEW OF THE WORKING CAPITAL FUND				$1,051,460
11-099-0027-FM 92/03/31	CONTROLS OVER GENERAL LEDGER ADJUSTMENTS AND SUSPENSE ACCOUNT ACTIVITY		$1,285	$1,285	
11-099-0028-FM 92/03/31	OFM/NFC EFFECTIVENESS OF CORRECTIVE ACTION TAKEN ON AUDIT REPORTS				
	TOTAL: OFFICE OF FINANCE AND MANAGEMENT	3	$1,285	$1,285	$1,051,460

AUDIT REPORTS RELEASED AND ASSOCIATED MONETARY VALUES
BETWEEN OCTOBER 1, 1991 AND MARCH 31, 1992

AUDIT NO. RELEASE DATE	TITLE	AUDITS RELEASED	QUESTIONED COSTS & LOANS	UNSUPPORTED COST & LOANS	FUNDS BE PUT TO BETTER USE
AGENCY - FOOD SAFETY AND INSPECTION SERVICE					
24-092-0011-AT 91/12/18	APPROVAL OF PROVISIONAL AND FINAL INDIRECT COST RATES		$274,696		
	TOTAL: FOOD SAFETY AND INSPECTION SERVICE	1	$274,696		
AGENCY - NATIONAL AGRICULTURAL STATISTICS SERVICE					
26-600-0002-AT 91/11/29	REVIEW OF AVERAGE PRICE DATA FOR RICE, COTTON, AND SELECTED OTHER COMMODITIES		$40,660,000		
	TOTAL: NATIONAL AGRICULTURAL STATISTICS SERVICE	1	$40,660,000		
AGENCY - FOOD AND NUTRITION SERVICE					
27-013-0086-HY 91/10/15	AUDIT OF THE FOOD STAMP PROGRAM IN WASHINGTON, D.C.		$2,028		$68,242
27-019-0064-CH 91/10/01	FOOD STAMP PROGRAM - OHIO DEPARTMENT OF HUMAN SERVICES		$656,003	$656,003	$235,318
27-029-0385-HY 91/10/28	FNS-CACFP ELMWOOD CLUB, MH ASSOCIATION OF ROCK LAND COUNTY, INC		$29,367		
27-029-0387-HY 91/10/28	FNS-CACFP OPPORTUNITIES FOR CHENANGO		$3,611		
27-029-0389-HY 92/02/19	FNS-CACFP NEW YORK CITY HOUSING AUTHORITY		$80,009		$89,186
27-029-0416-HY 91/11/22	FNS-CACFP FAIRFAX COUNTY PUBLIC SCHOOLS		$391		
27-029-0417-HY 91/12/11	FNS-CACFP FAIRFAX COUNTY OFFICE FOR CHILDREN				
27-029-0418-HY 91/12/04	FNS-CACFP EASTERN SHORE COMMUNITY DEVELOPMENT GROUP		$3,131		
27-029-0419-HY 91/12/04	FNS-CACFP HUNTON YMCA		$6,177		
27-029-0420-HY 91/12/11	FNS-CACFP ZION APOSTOLIC CHRISTIAN MEMORIAL DCC		$10,425		
27-029-0421-HY 91/12/05	FNS-CACFP COMMUNITY YOUTH CENTER				
27-029-0422-HY 91/12/05	FNS-CACFP COUNCIL OF COMMUNITY CENTERS		$1,135		
27-029-0423-HY 91/11/15	FNS-CACFP NEW RIVER COMMUNITY ACTION PROGRAM HS				
27-029-0424-HY 91/11/22	FNS-CACFP LEE COUNTY PUBLIC SCHOOLS HS				
27-029-0425-HY 91/11/12	FNS-CACFP MOUNTAIN COMMUNITY ACTION PROGRAM				
27-031-0025-HY 92/03/13	ADMINISTRATION/MANAGEMENT WIC PROGRAM IN VIRGINIA		$183,191		
27-094-0001-CH 91/10/17	VERIFICATION OF FOOD STAMP MAIL ISSUANCE LOSSES, CLERMONT COUNTY, OHIO		$24,108		
27-099-0085-CH 92/01/22	INDIANA CHILD NUTRITION PROGRAMS - STATE ADMINISTRATIVE EXPENSE FUNDS				$1,029,084
27-541-0041-AT 91/11/06	FL FSP SYSTEM DEVELOPMENT		$28,141	$28,141	
27-600-0008-CH 92/03/31	FOOD STAMP PROGRAM - AUTOMATED RETAILER TRACKING SYSTEM		$5,337,069		$293,996
42-099-0012-HY 92/03/09	U.S. POSTAL AND SECRET SERVICE FOOD STAMP ACCOUNTABILITY				
	TOTAL: FOOD AND NUTRITION SERVICE	21	$6,364,786	$684,144	$1,715,826

AUDIT REPORTS RELEASED AND ASSOCIATED MONETARY VALUES
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AUDIT NO. RELEASE DATE	TITLE	AUDITS RELEASED	QUESTIONED COSTS & LOANS	UNSUPPORTED COST & LOANS	FUNDS BE PUT TO BETTER USE
AGENCY - ANIMAL AND PLANT HEALTH INSPECTION SERVICE					
33-002-0001-CH 92/03/16	IMPLEMENTATION OF THE ANIMAL WELFARE ACT				
33-097-0001-CH 91/11/25	PROCUREMENT CONTRACT - IDEXX CORPORATION				
33-099-0004-AT 92/02/20	AIRCRAFT MANAGEMENT				
33-099-0008-SF 92/03/31	ADMINISTRATIVE COST OF THE 1989 MEDFLY ERADICATION PROJECT IN CALIFORNIA		$1,643,599		
33-545-0008-TE 91/10/16	COST INCURRED AND PREAWARD AUDIT OF DEL RIO FLYING SERVICE CONTRACT		$6,254		$490,890
	TOTAL: ANIMAL AND PLANT HEALTH INSPECTION SERVICE	5	$1,649,853		$490,890
AGENCY - MULTI-AGENCY					
50-099-0031-AT 92/03/31	DEPARTMENTAL COMPLIANCE WITH PUBLIC LAW 101-121				
50-099-0043-KC 91/12/16	COLORADO RIVER SALINITY CONTROL PROGRAM		$18,000	$18,000	
50-545-0012-HY 92/03/11	ASSOCIATED COMMERCIAL SERVICES - ADJUSTMENT CLAIM				$30,978
50-563-0079-SF 91/10/31	A-110 AUDIT OF UNIVERSITY OF CALIFORNIA - SAN FRANCISCO FOR THE 2 YEARS ENDED JUNE 30, 1990				
50-563-0080-SF 91/10/31	A-110 AUDIT OF UNIVERSITY OF CALIFORNIA AT DAVIS FOR THE TWO YEARS ENDED JUNE 30, 1990				
50-563-0081-SF 91/10/28	A-110 AUDIT OF UNIVERSITY OF NEVADA FOR THE TWO YEARS ENDED JUNE 30, 1990				
50-563-0082-KC 92/02/10	A-128, UNIVERSITY OF NEBRASKA, FISCAL YEAR END JUNE 30, 1990				
50-563-0083-KC 92/02/06	A-110, UNIVERSITY OF MISSOURI SYSTEM COLUMBIA MO FISCAL YEAR END JUNE 30, 1990				
50-563-0195-AT 91/11/05	A-133 AUDIT OF DELTA STATE UNIVERSITY, CLEVELAND, MS, FYE 6/30/90				
50-563-0196-AT 91/11/05	A-110 AUDIT OF MS STATE UNIVERSITY, STARKVILLE, MS, FYE 6/30/89				
50-563-0197-AT 91/11/05	A-110 AUDIT OF SPELMAN COLLEGE, ATLANTA, GA, FYE 6/30/90				
50-563-0198-AT 92/01/22	A-110, AUDIT OF AUBURN UNIVERSITY, ALABAMA, FOR 2 FY'S ENDING 9/30/89				
50-563-0199-AT 92/01/22	OMB CIRCULAR A-110, AUDIT OF THE UNIVERSITY OF MS MEDICAL CENTER, MS, FYE 6/30/90				
50-566-0013-TE 92/01/28	A-128, SINGLE AUDIT OF NM STATE UNIVERSITY FOR THE FISCAL YEAR ENDED 6-30-91				
50-566-0023-SF 92/03/09	A-128 AUDIT OF CITY OF SAN JOSE, SAN JOSE, CA FYE JUNE 30, 1991				
50-566-0025-KC 91/12/16	A-128, WY BOARD OF LAND COMMISSIONERS & FARM LOAN BOARD (FY ENDED 6/30/90) CHEYENNE, WY				
50-566-0026-KC 92/03/26	A-128, NE DEPARTMENT OF AGRICULTURE (FY 6/90) LINCOLN		$12,885	$12,885	
50-566-0037-HY 91/11/12	VIRGINIA DEPT. OF AGRICULTURE & CONSUMER SERVICES, A-128, SFYE 6/30/90				
50-566-0038-HY 92/03/06	CONNECTICUT DEPT OF AGRICULTURE A-128, SFYE 6/30/89 & 6/30/90				
50-567-0034-HY 92/03/13	VIRGINIA DEPARTMENT OF FORESTRY A-128, SFYE 6/30/90				
50-568-0086-HY 91/11/12	STATE OF MAINE, A-128, SFYE 6/30/89		$257,213		
50-568-0087-HY 91/11/19	DISTRICT OF COLUMBIA PUBLIC SCHOOLS, A-128 SFYE 9/30/89				
50-568-0088-HY 91/12/04	VIRGINIA DEPARTMENT OF SOCIAL SERVICES A-128, SFYE 6/30/89		$54,778		

AUDIT REPORTS RELEASED AND ASSOCIATED MONETARY VALUES
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AUDIT NO. RELEASE DATE	TITLE	AUDITS RELEASED	QUESTIONED COSTS & LOANS	UNSUPPORTED COST & LOANS	FUNDS BE PUT TO BETTER USE
50-568-0089-HY 92/02/13	STATE OF MARYLAND, A-128, SFYE 6/30/89				
50-568-0090-HY 92/02/19	STATE OF RHODE ISLAND & PROVIDENCE PLANTATIONS, A-128, SYFE 6/30/88				
50-568-0091-HY 92/02/13	DISTRICT OF COLUMBIA OFFICE ON AGING A-128, SFYE 9/30/89				
50-568-0092-HY 92/03/17	VIRGINIA POLYTECHNIC INSTITUTE A-128, SFYE 6/30/90				
50-568-0173-TE 91/12/05	SINGLE AUDIT OF TEXAS FOR THE PERIOD AUGUST 31, 1990				
50-568-0174-TE 92/01/23	A-128,SINGLE AUDIT OF NM HEALTH & ENVIRONMENT DEPARTMENT FOR THE FISCAL YEAR ENDED 6-30-90				
50-568-0176-TE 92/03/04	A-128, SINGLE AUDIT OF ARKANSAS DPT OF HUMAN SERVICES FOR FISCAL YEAR ENDED JUNE 30, 1989				
50-568-0177-TE 92/03/04	A-128, SINGLE AUDIT OF ARK DPT. OF HUMAN SERVICES FOR FISCAL YEAR ENDED JUNE 30, 1990				
50-568-0216-CH 91/10/17	SINGLE AUDIT OF THE MICHIGAN DEPARTMENT OF PUBLIC HEALTH		$36,292		
50-568-0217-CH 91/10/18	SINGLE AUDIT OF WAYNE COUNTY, MICHIGAN				
50-568-0218-CH 91/11/08	SINGLE AUDIT OF THE INDIANA DEPARTMENT OF HUMAN SERVICES				
50-568-0219-CH 91/11/08	SINGLE AUDIT OF THE INDIANA DEPARTMENT OF MENTAL HEALTH				
50-568-0220-AT 91/10/04	A-128 AUDIT OF HILLSBOROUGH COUNTY, FL, FYE 9/30/90				
50-568-0220-CH 91/12/05	SINGLE AUDIT OF THE STATE OF OHIO				
50-568-0221-AT 92/01/07	A-128 AUDIT OF GA DEPT. OF HUMAN RESOURCES, FYE 6/30/90		$31,553	$31,553	
50-568-0221-CH 92/03/09	SINGLE AUDIT OF THE INDIANA DEPT OF EDUCATION				
50-568-0222-AT 91/12/18	A-128 AUDIT OF THE CITY OF ALBANY, GA, FYE 6/30/90				
50-568-0223-AT 92/01/22	A-128, AUDIT OF THE CITY OF CHARLESTON, SC, FYE 12/31/89				
50-568-0224-AT 92/01/22	A-128, AUDIT OF MONTGOMERY COUNTY COMMISSION, AL, FYE 9/30/88				
50-568-0225-AT 92/02/12	A-128, AUDIT OF AL DEPT. OF PUBLIC HEALTH, FOR 2 FISCAL YEARS ENDED 9/30/89				
50-568-0226-AT 92/02/12	A-128 AUDIT OF GWINNETT COUNTY, GEORGIA, FYE 12/31/90				
50-568-0242-KC 91/10/04	A-128, BOONE COUNTY (YEAR ENDED 12/31/90) COLUMBIA, MO		$72	$72	
50-568-0243-KC 92/01/07	A-128, WY DEPARTMENT OF HEALTH AND SOCIAL SERVICES, CHEYENNE, WY (FY ENDED 6/30/90)				
50-568-0244-KC 92/02/24	A-128, STATE OF KANSAS (FY 6/30/90), TOPEKA, KS		$449	$449	
50-568-0245-KC 92/02/25	A-128 PENNINGTON COUNTY, RAPID CITY, SOUTH DAKOTA (FY ENDED DECEMBER 31, 1990)				
50-568-0248-KC 92/03/26	A-128, NE DEPARTMENT OF HEALTH, LINCOLN, NE (FY 6/90)				
50-568-0433-SF 91/10/22	A-128 AUDIT OF COUNTY OF LOS ANGELES, LOS ANGELES, CA FYE JUNE 30, 1990				
50-568-0434-SF 91/11/12	A-128 AUDIT OF HAWAII DEPARTMENT OF LANDS AND NATURAL RESOVRCES, HONOLULU, FYE 6/30/90				
50-568-0435-SF 91/10/22	A-128 AUDIT OF REPUBLIC OF THE MARSHALL ISLANDS, MAJURO MARSHAL ISLANDS FYE 9/30/90				
50-568-0436-SF 91/12/03	A-128 AUDIT OF CITY OF LONG BEACH FYE JUNE 30, 1990				
50-568-0437-SF 91/11/26	A-128 AUDIT OF CITY OF RIVERSIDE FYE JUNE 30, 1990				
50-568-0438-SF 91/12/02	A-128 AUDIT OF CITY OF SACRAMENTO FYE JUNE 30, 1990				

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50-568-0439-SF 91/12/02	A-128 AUDIT OF COUNTY OF SPOKANE FYE DECEMBER 31, 1989				
50-568-0440-SF 91/12/02	A-128 AUDIT OF CITY & COUNTY OF SAN FRANCISCO, FYE JUNE 30, 1990				
50-568-0441-SF 91/10/31	A-128 AUDIT OF CITY OF LOS ANGELES FOR THE FISCAL YEAR ENDED JUNE 30, 1990				
50-568-0442-SF 91/12/02	A-128 AUDIT OF HAWAII DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS FOR THE FYE JUNE 30,1990				
50-568-0443-SF 91/11/26	A-128 AUDIT OF CITY OF OAKLAND FOR THE FISCAL YEAR ENDED JUNE 30, 1990				
50-568-0444-SF 91/12/03	A-128 AUDIT OF ARIZONA DEPT OF EDUCATION, PHOENIX, AZ, FYE JUNE 30, 1988				
50-568-0445-SF 91/12/04	A-128 AUDIT OF STATE OF ALASKA, JUNEAU, AK FYE JUNE 30, 1989				
50-568-0446-SF 91/12/04	A-128 AUDIT OF STATE OF OREGON, SALEM, OR, FYE JUNE 30, 1989				
50-568-0447-SF 91/12/11	A-128 AUDIT OF HAWAII DEPARTMENT OF HEALTH, HONOLULU, HI, FYE JUNE 30, 1990				
50-568-0448-SF 91/12/11	A-128 AUDIT OF COUNTY OF MARICOPA, PHOENIX, AZ, FYE JUNE 30, 1990				
50-568-0449-SF 92/02/18	A-128 AUDIT OF STATE OF WASHINGTON, OLYMPIA, WA, FYE JUNE 30, 1990		$10,285		
50-568-0450-SF 91/12/17	A-128 AUDIT OF STATE OF NEVADA, CARSON CITY, NV, FYE JUNE 30, 1990				
50-568-0451-SF 91/12/17	A-128 AUDIT OF REPUBLIC OF THE MARSHALL IS-LANDS, MAJURO, MARSHALL ISLANDS, FYE 9/30/89				
50-568-0452-SF 92/01/22	A-128 AUDIT OF GOVERNMENT OF GUAM, AGANA, GUAM, FYE SEPTEMBER 30, 1988		$189,716		
50-568-0453-SF 92/02/18	A-128 AUDIT OF STATE OF CALIFORNIA, SACRAMENTO, CA, FYE JUNE 30, 1990		$140,000		
50-568-0454-SF 92/02/25	A-128 AUDIT OF STATE OF OREGON, SALEM, OR, FYE JUNE 30, 1990		$75,969		
50-568-0455-SF 92/02/18	A-128 AUDIT OF HAWAII DEPARTMENT OF EDUCATION HONOLULU, HI, FYE JUNE 30, 1990				
50-568-0456-SF 92/02/18	A-128 AUDIT OF HAWAII DEPARTMENT OF HUMAN SERVICES, HONOLULU, HI,FYE JUNE 30, 1990				
50-568-0457-SF 92/03/02	A-128 AUDIT OF STATE OF ARIZONA, PHOENIX, AZ, FYE JUNE 30, 1989				
50-568-0458-SF 92/02/18	A-128 AUDIT OF IDAHO DEPARTMENT OF HEALTH AND WELFARE, BOISE, ID, FYE JUNE 30, 1990				
50-568-0459-SF 92/03/10	A-128 AUDIT OF COMMONWEALTH UTILITIES CORPOR-ATION, SAIPAN, MP, FYE SEPTEMBER 30, 1989				
50-568-0460-SF 92/02/28	A-128 AUDIT OF GUAM TELEPHONE AUTHORITY, TAMUNIG, GUAM, FYE SEPTEMBER 30, 1989				
50-568-0462-SF 92/02/28	A-128 AUDIT OF CITY OF SEATTLE, SEATTLE, WA, FYE DECEMBER 31, 1990				
50-568-0463-SF 92/03/05	A-128 AUDIT OF COMMONWEALTH OF NORTHERN MAR-IANA ISLAND, SAIPAN, MP, FYE 9/30/87				
50-568-0464-SF 92/03/05	A-128 AUDIT OF FEDERATED STATES OF MICRONESIA AGANA, GUAM, FYE SEPTEMBER 30, 1990				
TOTAL: MULTI-AGENCY		80	$827,212	$62,959	$30,978

AUDIT REPORTS RELEASED AND ASSOCIATED MONETARY VALUES
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AUDIT NO. RELEASE DATE	TITLE	AUDITS RELEASED	QUESTIONED COSTS & LOANS	UNSUPPORTED COST & LOANS	FUNDS BE PUT TO BETTER USE
AGENCY - OFFICE OF INFORMATION RESOURCES MANAGEMENT					
58-099-0022-FM 92/03/31	SECURITY AND CONTROL OF THE NATIONAL COMPUTER CENTER				
	TOTAL: OFFICE OF INFORMATION RESOURCES MANAGEMENT	1			
	TOTAL: RELEASE - NATIONWIDE	167	$102,376,060	$12,030,538	$6,298,502

30 Years of Service

1962-1992