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Office of Inspector General Semiannual Report To Congress

FY 1993- First Half

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

April 27, 1993

Honorable Mike Espy
Secretary of Agriculture
Washington, D.C. 20250

Dear Mr. Secretary:

I am pleased to submit the Office of Inspector General's Semiannual Report to Congress summarizing our activities for the 6-month period ending March 31, 1993.

During this period, our audit and investigative efforts resulted in approximately $28 million in recoveries, collections, fines and restitutions. Management agreed to put an additional $144.1 million to better use. We also identified $25.2 million in questioned costs that cannot be recovered. Our investigative efforts resulted in 365 indictments and 511 convictions.

We have worked hard to gain the support and cooperation of the Department's managers, just as we have worked equally hard to improve on the delivery of our audit and investigation services. Many of the successful outcomes described in this report were made possible through, and as the result of, these efforts. We look forward to continuing this relationship as we seek to help improve the efficiency and effectiveness of agriculture programs.

Sincerely,

CHARLES R. GILLUM
Acting Inspector General

Enclosure

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Executive Summary

This is the 29th 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), as amended. This report covers the period October 1, 1992, through March 31, 1993.

Monetary Results

During this period, we issued 154 audit reports and reached management decision on 145 audits. Based on this work, management officials agreed to recover $10.1 million and to put an additional $144.1 million to better use.

We also issued 582 reports of investigation during this period. Our investigative efforts resulted in 365 indictments, 511 convictions, and approximately $17.8 million in recoveries/collections, fines, and restitutions.

Investigative Efforts

During this period, we continued to focus over 30 percent of our investigative resources to detecting and investigating fraud in the Food Stamp Program. These efforts produced some of our most significant results to date. For example, in one major case, the U.S. Department of Justice filed a $120 million lawsuit against a wholesaler who fraudulently redeemed $40 million worth of food stamps in a 2-year period. During the investigation, 4 commercial real estate properties and 10 trucks belonging to the wholesaler were seized, pursuant to Federal civil seizure action. Other significant cases involving wholesaler fraud, food stamp trafficking, and food stamp theft are described in this report. In one of the trafficking cases reported, a grocer was sentenced to 10 years in prison and ordered to pay over $3.5 million in restitution for illegally redeeming over $7 million in food stamps.

Joint efforts with other Federal law enforcement agencies also yielded significant results in cases involving USDA's foreign agriculture programs. In the latest action involving GSM loan guarantees to Iraq, a trading company pled guilty to charges that it schemed with the Atlanta branch of the Banca Nazionale del Lavaro (BNL) to inflate loans under the program. The company paid a $1 million fine and agreed to be debarred from all Government programs. As the result of another continuing investigation, a sugar refiner agreed to pay $2.8 million to settle charges that it diverted nonquota sugar into the U.S. market.

In addition to these efforts, this report describes our investigations into cases of Pacific yew bark and timber theft, crop insurance fraud, and employee misconduct. In each of these areas our investigations resulted in significant judicial, civil, and administrative action.

Audit Efforts

During this reporting period, we conducted audits in the National School Lunch and Breakfast Programs, the Special Supplemental Food Program for Women, Infants and Children (WIC), and the Child and Adult Care Food Program (CACFP). Program officials agreed to make improvements in financial management and meal accountability in school food operations in Puerto Rico and the Virgin Islands and to ensure that States properly allocate WIC program funds. We also found that improvements are still needed in WIC vendor monitoring. This is an area on which FNS officials continue to focus significant attention. In CACFP, we conducted an audit of one large sponsor at the request of program officials. We found that the sponsor ran a vending operation with staff and facilities funded by CACFP and improperly used over $100,000 for nonprogram purposes. The sponsor agreed to take corrective actions and program officials will recover the funds. Other reviews involving CACFP are described in this report.

We also focused audit efforts on the programs administered by the Agricultural Stabilization and Conservation Service (ASCS). Our reviews in the conservation area found that improvements are needed in the administration of wetland and conservation reserve provisions of the 1985 farm bill. We are working with agency officials to reach resolution of the issues identified in our audit. We also reviewed payments made under USDA's Disaster and Deficiency Programs. We found that sugar producers in two States received $3.6 million in excessive disaster payments; agency officials agreed to take corrective action. In the Deficiency Program, we found that rice producers in one State received excessive payments because the warehouse they sold rice to weighed the rice when it had higher levels of moisture than allowed. Program officials are reviewing other commodities to determine if this practice is occurring elsewhere.

Another area where we focused audit resources during this period was the collection of user fees from concessionaires operating on Forest Service land and from transportation companies under the Agriculture Quarantine and Inspection Program. We found that improvements were needed in both programs. Program officials have agreed to improve their systems and collect outstanding fees. In several cases, collection has begun.

As a result of irregularities found in the past in the construction costs for Rural Rental Housing, we continued our reviews in this area. Our audit of 19 projects questioned costs of approximately $2.8 million. Agency officials have begun corrective action.

In addition to these areas, we reviewed the Socially Disadvantaged Loan Program, and rural investments made by rural electric distribution cooperatives. We also reviewed USDA's administration of the Federal Employees' Compensation Act (FECA) (commonly referred to as "Workers' Compensation"). This work was part of a Governmentwide review sponsored by the President's Council on Integrity and Efficiency. Based on our findings, management officials have already developed a corrective action plan to avoid FECA overpayments and help claimants return to work. During this period, we also issued two management reports as by-products of our financial statement audit work in the Food and Nutrition Service and the Forest Service.

Summary of Audit Activities

Audit Reports Issued

Reports Issued		154
Audits Performed by OIG	74	
Audits Performed Under the Single Audit Act	59	
Audits Performed by Others	21	

Management Decisions Made

Number of Reports		145
Number of Recommendations		709

Dollar Impact (millions)

Questioned/Unsupported Costs		$35.3[ab]
Recommended for Recovery	$10.1	
Not Recommended for Recovery	$25.2	
Funds To Be Put to Better Use		$144.1
TOTAL		$179.4

[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.

Summary of Investigative Activities

Reports Issued	582
Cases Opened	609
Cases Closed	582
Cases Referred for Prosecution	414

Impact of Investigations

Indictments	365[a]
Convictions	511

Dollar Impact (millions)

Recoveries/Collections	$6.5[b]
Restitutions	$8.5[c]
Fines	$2.6[d]
Cost Avoidance	$3.1[e]
Administrative Penalties	$0.2[f]

Administrative Sanctions

Employees	23
Businesses/Persons	180

[a] Includes convictions and pretrial diversions. Also, the period of time to obtain court action on an indictment varies widely; therefore, the 511 convictions do not necessarily relate to the 365 indictments.
[b] Includes money received by USDA or other Government agencies as a result of OIG investigations.
[c] Restitutions are court-ordered repayments of money lost through a crime or program abuse.
[d] Fines are court-ordered penalties.
[e] This category consists of loans or benefits not granted as the result of an OIG investigation.
[f] This category includes monetary fines or penalties authorized by law and imposed through an administrative process as a result of OIG findings.

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 persons in need with a more nutritious diet, improve the eating habits of the Nation's children, and stabilize farm prices through the distribution of surplus food.

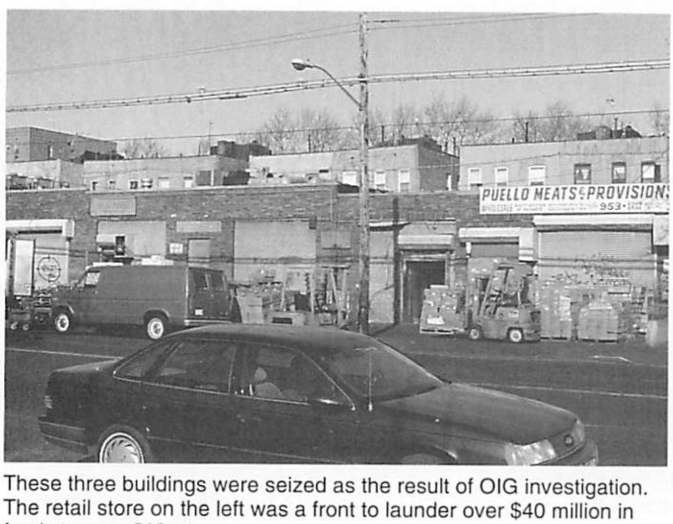
FNS program funding levels for FY 1993 totaled approximately $34.4 billion. The Food Stamp Program received the largest share of this, over $22 billion. Because of the size of this program and the potential for fraud in it, we allocated a substantial portion of our resources to detecting and investigating fraud in the program, particularly food stamp trafficking.

Food Stamp Program

$120 Million Civil Suit Filed in Food Stamp Fraud Case

The U.S. attorney in Brooklyn, New York, filed a $120 million lawsuit against a New York wholesaler claiming that the wholesaler fraudulently redeemed more than $40 million worth of food stamps in a 2-year period.

In the 1970's, the wholesaler obtained FNS authorization for his company to participate in the Food Stamp Program. However, in 1982, authorization for most wholesale firms, including this firm, was withdrawn in an effort to reduce food stamp fraud. In 1990, the wholesaler opened a small retail operation within his wholesale concern to obtain FNS authorization once again. Our investigation found that the wholesaler used the retail operation to provide a laundering outlet for retail store owners who had obtained food stamps illegally. Many of the wholesaler's customers were not authorized to accept food stamps; several of them were under separate OIG investigation for food stamp trafficking. The wholesaler redeemed over $40 million in food stamps through the authorized retail operation.



These three buildings were seized as the result of OIG investigation. The retail store on the left was a front to launder over $40 million in food stamps. OIG photo.

As a result of our investigation, 4 commercial real estate properties and 10 trucks belonging to the wholesaler were seized, pursuant to a Federal civil seizure action. Also, several bank accounts were frozen pending resolution of civil action against the wholesaler. This investigation is continuing.

Food Stamps Used Illegally in Wholesaler/Retailer Transactions

- Four Philadelphia food wholesalers, who were also authorized to accept food stamps for retail food sales, were found to have accepted over $44 million in food stamps from other retailers and restaurants since January 1986 as payment for wholesale foods used to operate the businesses. As a result of settlement agreements, four wholesalers are repaying $915,000 to FNS. The wholesalers have also provided OIG and the U.S. attorney's office with the identity of over 100 retailers from whom they accepted food stamps. The U.S.attorney's office is currently taking civil action against those retailers.

- In New York, a cigarette wholesaler pled guilty to accepting food stamps from customers for the purchase of cigarettes. The wholesaler charged customers an extra 10 percent when they paid with food stamps and, likewise, discounted food stamps for cash. Our investigation established that the wholesaler received over $300,000 in food stamps and laundered them through several authorized retail stores. This investigation was based on many complaints from other New York area wholesalers that by accepting food stamps from customers, this wholesaler took a substantial amount of business away from those who did not accept food stamps. This investigation is continuing.

Food Stamp Trafficking Cases Continue

- In Mobile, Alabama, a retailer was sentenced to 10 months' imprisonment and ordered to pay $300,000 in restitution for illegally redeeming food stamps through his retail store over a 21-month period. Two of the store's employees also pled guilty to food stamp trafficking charges. Additionally, OIG agents arrested 25 others, including the owners and employees of 10 retail stores, who were indicted on charges of food stamp trafficking. The indictments resulted from a joint investigation by OIG, local police, and the Federal Bureau of Investigation. Twenty-two of those arrested have pled guilty, and three were placed on pretrial diversion. Sentencings are pending.

- A Toledo, Ohio, grocer, whose conviction for illegally redeeming over $7.2 million in food stamps was reported previously, was sentenced to 10 years in prison and ordered to pay restitution of over $3.5 million to USDA. The grocer had redeemed the stamps over a 6-year period under a false application for authorization. He had also been trafficking in food stamps.

- As a result of a 6-month food stamp investigation conducted jointly with the Salt Lake City Police Department, eight defendants pled guilty to charges of exchanging food stamps for cash. Those entering guilty pleas included two grocers, a local lounge owner, and five individuals who solicited food stamp recipients to sell their stamps as they left a local issuance office. The defendants were placed on probation and ordered to pay fines or restitutions. Local press coverage was extensive and was expected to serve as a deterrent to others in the vicinity who might contemplate trafficking in food stamps.

Food Stamps Exchanged for Drugs

Six defendants pled guilty in Federal court in West Virginia following a 57-count indictment of a 7-member cocaine distribution ring operating in the Oak Hill area. The seven individuals were charged with purchasing cocaine base in New York, Maryland, and Washington, D.C.; transporting the illegal drugs to Oak Hill; and then distributing the drugs throughout Raleigh, Fayette, and Kanawha counties in exchange for cash and food stamps. The investigation was conducted jointly with the Bureau of Criminal Investigations of the West Virginia State Police, the Fayette County Sheriff's Office, the Beckley Police Department, and the Oak Hill Police Department. One defendant remains a fugitive.

Theft of Food Stamps From State Distribution Center

In Minnesota, a clerk formerly employed by the issuance operations center of the State Department of Human Services pled guilty to stealing food stamps from the center. The clerk was responsible for accounting for food stamps returned in the mail as undeliverable. Although the center could have cross-checked the stamps to determine if the amount the clerk reported was what should have been returned, it did not have procedures to do so. The clerk was employed in her position for 9 months. The center is unable to account for about $180,000 in food stamps for that period of time.

Courier Steals $78,000 in Food Stamps

In Georgia, a courier for an armored car transport company was found guilty of stealing $78,000 in food stamps from a vault at the company headquarters. The company had the contract for bulk storage of food stamps in Cobb County, Georgia. Food stamps amounting to approximately $40,000 were recovered during the investigation. The courier was sentenced to serve 15 months in prison and ordered to pay over $37,600 in restitution.

Child and Adult Care Food Program

Over $100,000 Diverted for Nonprogram Use

During this reporting period, we performed an audit of activities of a large Child and Adult Care Food Program (CACFP) sponsor in New York City. This audit was requested by FNS officials when they learned that the sponsor ran a vending operation with staff and facilities funded by CACFP and improperly used income from that operation for nonprogram purposes.

We confirmed that this situation had occurred from 1987 through 1991. The sponsor generated income primarily from the sale of meals to two organizations. The sponsor's financial records showed that his revenues exceeded his expenses by about $101,000 but that he used the proceeds to pay nonprogram expenses rather than credit them to program operations.

We recommended that FNS require the sponsor to use all income generated from program activities for program purposes and recover the $101,000. FNS and the sponsor agreed to implement the recommendations.

Operations Director Diverts Reimbursement Funds

In Norfolk, Virginia, the operations director of a CACFP sponsoring organization, which received USDA funds to reimburse care providers for the cost of feeding the needy, instead issued 59 checks to herself and others totaling over $36,000. The director pled guilty to fraud. The entire amount has been repaid to USDA.

Child Care Food Program Sponsor Sentenced to Prison for Fraud

In Mississippi, the director of a CACFP sponsoring organization began serving her 1½-year sentence for defrauding the program. In less than 2 years, the director received over $900,000 in CACFP funds while submitting approximately $12,000 in false claims on behalf of seven daycare home providers under her sponsorship. She also routinely solicited and received an undetermined amount of kickbacks from the providers.

In addition to her imprisonment, the director was ordered to pay over $8,000 in restitution. The seven daycare home providers pled guilty to charges of conspiring to defraud CACFP and were ordered to pay varying amounts of restitution and to perform community service.

National School Lunch and Breakfast Programs

Improvements Needed in Financial Management Systems

We reviewed school food operations in Puerto Rico (PR) and the Virgin Islands (VI), which together receive funding of over $125 million annually. We found major problems in financial management and accountability. The audits identified the following:

- Officials of nutrition agencies in both PR and VI chose to provide free meals to all students regardless of family income. However, the agencies neither identified nor accounted for their financial liability in providing the meals. FNS provides funds to PR and VI based on a percentage factor which reflects the number of children eligible for free or reduced-price meals; therefore, it is up to the PR and VI agencies to pay the difference between the FNS reimbursement and program costs. The financial systems of the agencies were not adequate to show their financial transactions.

- We questioned reimbursement for administrative costs totaling $1.65 million that were actually nonprogram salary expenses or were not supported by records.

- Both the PR and VI agencies overstated the number of meals served that were eligible for reimbursement. Neither had fully implemented new FNS accountability regulations to improve meal-counting procedures at the schools. Consequently, we questioned reimbursement for ineligible meals totaling $792,000.

We recommended that PR and VI officials develop financial management and meal accountability systems to ensure that program information is accurate. We also recommended that FNS recover the questioned costs or require additional documentation to support their allocability. The agencies agreed to improve their financial management systems.

Milk Companies Fined for Bid Rigging

Two Texas milk companies were fined $600,000 after pleading guilty in Federal court to violations of the Sherman Antitrust Act. The investigation, conducted by the Antitrust Division of the Department of Justice with OIG assistance, showed the companies conspired to submit noncompetitive bids to Texas school districts for milk contracts. A substantial portion of the funding used by public schools to purchase milk is provided by FNS under the National School Lunch Program.

Guilty Pleas in Fraudulent School Lunch Claims

A food service management company in Pennsylvania and 2 of its former directors were indicted on 19 counts of mail fraud and making false statements which led to overpayments from the National School Lunch Program totaling almost $100,000. The corporation pled guilty and was ordered to pay a fine and restitution of $100,000. One of the former directors also pled guilty and was ordered to pay a $5,000 fine and serve 5 years' probation. The other director entered a plea of *nolo contendere* and was sentenced to 3 years' probation and home detention.

One State Improperly Retained Grant Funds for Administrative Expenses

Alabama improperly retained $185,000 in State administrative expense grant funds as a result of inaccurate reporting. The State's financial status report to FNS did not show the same outlays, unliquidated obligations, and unobligated balances reflected in its accounting records for FY's 1988 through 1991.

The State reported its grant funds fully disbursed at the end of each grant period, but its accounting records showed funds remained unspent. Unused grant funds totaling about $139,000 were not returned to FNS at the end of FY's 1988, 1989, and 1990. Because the grant period is 2 years, Alabama improperly retained about $46,000 in excess of the carryover limit for FY 1991.

Our review also disclosed that the data processing costs incurred by the State in FY 1991 were significantly higher than approved by FNS. Alabama had been approved to spend about $37,000 for data processing support, but as of July 1991, it was in the process of charging about $123,000 for these costs. Since the State had not requested approval from FNS for the additional $86,000, the amount would be ineligible.

We recommended that FNS require Alabama to justify retaining the $185,000 and that it recover any grant balances that cannot be justified. We also recommended that the State refund data processing costs in FY 1991 or obtain approval for the expense. Both FNS and Alabama officials agreed with our recommendations and are taking corrective actions.

Special Supplemental Food Program for Women, Infants, and Children (WIC)

Improper Allocation of Employee Costs Continues To Be a Problem

During this reporting period, we continued our efforts to ensure that States were properly allocating program costs. We found that South Carolina and a nonprofit local agency in that State claimed personal service costs for employees who performed no WIC duties or worked fewer hours on WIC than was reported. This occurred because the State and the agency did not have systems to properly distribute employee costs. There were no overclaims, however, because (1) the State did not claim costs for other employees who worked on WIC and (2) the agency's reimbursement was limited by its contract.

FNS officials agreed with our recommendations that the State should provide additional support for its claims while it is modifying its system and that it should ensure that the nonprofit agency properly allocates costs to the program.

We performed this audit to follow up on a nationwide audit report, issued in February 1991, in which we reported that all 10 States we reviewed claimed costs of employees either who performed no WIC duties or who worked fewer hours on WIC than was charged to the program. Unallowable employee costs in those States totaled $5.5 million. FNS agreed to perform management reviews targeted at WIC administrative costs and to provide guidance to the States. We expect to perform reviews in additional States to evaluate whether these corrective actions have been effective.

Improvement Needed in Monitoring WIC Program Vendors

Our audit work continues to show that vendors in the WIC program need closer monitoring. We found that Vermont did not implement a system to identify and investigate high-risk vendors and paid vendors who had not collected required receipts from program participants to prove they had delivered the commodities they said they had.

One high-risk vendor had submitted wholesalers' invoices to show he used reasonable markups on his items, but the invoices did not agree with the actual prices he was charged. In some cases, the vendor did not have all the wholesalers' invoices to support the WIC food items he claimed to have purchased.

We recommended the State strengthen its monitoring of vendors.

In 1988, we issued an audit which reported that some vendors were overcharging the WIC program. FNS proposed a vendor regulation in December 1990 which would have addressed our concerns, but received a significant number of comments that needed to be addressed. As a result, FNS is revising the proposed regulation, and implementation in the near future is unlikely. Since 1988, both OIG and FNS have continued to identify problems with vendor management, and State reports continue to show a high incidence of overcharging.

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 1993, ASCS estimates outlays at $1.8 billion for conservation programs and $715 million for salaries and expenses. CCC funds all other ASCS program operations, with estimated outlays of $17.1 billion, an increase of $5.2 billion over FY 1992.

Tobacco Warehouseman Sentenced to 7 Years in Prison for $12.3 Million Fraud

A Tennessee tobacco warehouseman began serving a 7-year prison term for making false statements to ASCS between 1983 and 1987 pertaining to the sale of flue-cured and burley tobacco. The warehouseman fraudulently obtained tobacco marketing cards with unused tobacco quotas on them and used them to sell stolen tobacco. The warehouseman had been indicted in Tennessee, North Carolina, Georgia, and Virginia on 53 counts of making false statements and money laundering. He had pled guilty to 38 counts of the indictments. As a result of the investigation, ASCS assessed marketing penalties amounting to approximately $12.3 million against the warehouseman.

Controls for Wetland Exemptions Need To Be Improved

The Food Security Act of 1985 encourages producers to conserve wetlands in areas used for farming. The act generally restricts the conditions under which wetlands may be converted to farmland, and it requires producers to adhere to the restrictions to remain eligible for USDA farm programs. USDA agencies rely heavily on producer certifications to ensure that the wetland provisions are applied as prescribed by the law. ASCS, with the concurrence of the Soil Conservation Service (SCS), may grant exemptions to the restrictions. Each exemption is based on the producer's annual certifications concerning his or her land use and treatment of wetlands as described in ASCS regulations.

Our audit evaluated ASCS' and SCS' controls to ensure that wetlands were conserved in accordance with the act. We reviewed 30 requests for wetland exemptions in 3 States and found that ASCS and SCS had granted 11 exemptions which should not have been granted. This was caused, in part, by ASCS not having procedures to verify the accuracy of information provided by producers and by SCS employees not complying with procedures.

In some cases, producers provided inaccurate wetland certification information. We reviewed 19 certifications and found that in 9 instances producers had furnished inaccurate information to the local ASCS county office during required annual certifications. We found that the producers reported that their conversion activities were begun before the actual implementation date. As a result, six producers improperly received program payments totaling over $1.1 million.

We recommended that both ASCS and SCS strengthen management controls over annual certifications and exemptions. ASCS officials disagree with our conclusions because of our interpretation of program eligibility requirements. We are working with the agency to reach a solution on this issue.

Farming Corporation Guilty in Fraud

An eastern Washington farming corporation pled guilty to defrauding ASCS and the U.S. Department of the Interior by creating false farming entities to avoid ASCS program payment limitations and to obtain federally subsidized irrigation water from the Bureau of Reclamation. The president of the corporation admitted that a reconstitution of his farming operation, with his father and brother identified as the principals, was done only to maximize ASCS payments in the Wheat and Feed Grain Program above $50,000 legal limits and to pay significantly subsidized rates for Federal water on farmland which exceeded the 960-acre limit.

The corporation and its president agreed to pay $500,000 in restitution to USDA and Interior. This investigation was conducted jointly with OIG-Interior special agents.

Three Guilty of Multi-Program Fraud

In Iowa, guilty verdicts were returned after a 2-week jury trial against two men who conspired to defraud ASCS and the Federal Crop Insurance Corporation (FCIC). A third man had earlier pled guilty to conspiring to produce false feed receipts for the other two men. The men were indicted for making false statements to FCIC and ASCS to receive payments through insurance claims and through the disaster assistance, emergency feed, and payment limitation programs. Between 1988 and 1989, the men submitted false cattle feed purchase receipts, falsely certified the amount of their crop production, and understated crop yields for indemnity purposes. The three men were sentenced to serve a combined total of 2½ years in prison and were ordered to pay a total of over $76,000 in restitution and $20,000 in fines.

Conversion of Collateral Still Impacts CCC Loan Programs

- An Indiana grain elevator operator pled guilty to converting $120,000 in CCC-owned grain stored in his elevator. He was sentenced to 6 months' confinement and ordered to pay over $100,000 in restitution. The operator was previously involved in his father's elevator business, which also stole CCC grain. The operator said he sold the grain because he was experiencing financial hardships, despite the sizeable estate and the Arabian horses he owned. The investigation was conducted jointly with the Indiana Commodity Warehouse Licensing Agency.

- In Minnesota, a farmer and owner of a CCC-licensed warehouse pled guilty to making false statements to obtain CCC loans and to converting CCC collateral. The farmer pledged over 100,000 bushels of corn and soybeans to CCC as security for a loan; then, to receive a second loan, he falsely certified that the grain was his and not part of any collateral. As a result of the false certification, the farmer received over $1 million in CCC loans. The farmer was sentenced to 1 year in prison, 3 years' supervised release, and ordered to pay $5,000 in restitution.

Sugar Producers Receive $3.6 Million in Excessive Disaster Program Payments

Under the 1990 Disaster Program, ASCS released $11 million in disaster payments to producers in two States whose sugar crops were damaged by frost and freeze in 1989.

Our audit found that ASCS personnel in the two States did not uniformly account for acres and production. ASCS could have excluded acres planted for seed production when it calculated the yield from acres planted for sugar production, but it chose to include both. In some cases, it calculated the yield from the seed acreage by estimating the sugar production from the seed; in other cases, it did not estimate any production from the seed, even though it had already counted the seed acres. By counting seed acres but not seed production, ASCS understated total production and made some producers' disaster appear greater than it was. All cases of unaccounted seed production resulted in excessive payments of about $2.1 million under the 1990 Disaster Program. Also, the Food, Agriculture, Conservation, and Trade Act of 1990 subsequently increased disaster benefits for the 1990 crop and producers could apply for that additional benefit. Therefore, these same producers received an additional $1.5 million in excessive payments for the same disaster under this act.

To correct this condition, ASCS agreed to revise its procedures to exclude seed acres and any estimated production from those acres in the calculation of disaster payments in the future.

New York Man Guilty of Mohair Fraud

A New York man pled guilty in Missouri to making false statements to ASCS when he certified to the production and international sale of 18,850 pounds of mohair he did not own. Using the false documents, the subject received over $103,000 in incentive payments.

The man became the owner of a herd of goats in Missouri and subsequently claimed that he sold large quantities of mohair to Spain. Investigation disclosed that the man did not have the number of goats necessary to produce the mohair he allegedly sold and that he did not have mohair stored in reserve anywhere else. An inquiry conducted by INTERPOL on our behalf verified that the sale to Spain never occurred.

In addition to his plea in this case, the defendant paid $230,000 in settlement of a civil fraud claim arising from this offense. Sentencing is pending.

False Statements Used To Gain Debt Relief

An Iowa man pled guilty to making false statements to ASCS and Farmers Home Administration (FmHA) to procure a favorable settlement of his debt. Using false information regarding the man's assets and his role in a farm management corporation, ASCS and FmHA excused approximately $48,000 and $180,500 worth of debt, respectively. The man was sentenced to serve 1 year in prison followed by 3 years' supervised release. He was also ordered to pay a fine of $3,000 and to make restitution to ASCS and FmHA totaling approximately $229,000.

More Effective Bid Evaluation Process Needed for Conservation Reserve Program (CRP)

The CRP helps producers preserve cropland by letting them keep highly erodible land out of production. Producers submit bids to ASCS stating how much money they will need to keep the land out of production, and SCS determines how erodible the land is. (Beginning in March 1991, the office of the Deputy Administrator for State and County Operations assumed the responsibility of evaluating CRP bids.) ASCS selects bids based on the environmental benefit obtained for the CRP dollars spent. We found this process a substantial improvement over its predecessors, but we concluded that it could be even more effective.

We statistically selected 109 bids out of almost 7,000 accepted in March 1991 (80 percent of all bids accepted that year). We found inaccuracies in how soil data was identified and weaknesses in how procedures were applied. Errors were made in accumulating CRP bid data, and neither ASCS nor SCS had controls to identify and correct the mistakes. About 76 percent of the bids in our sample had one or more errors in the data transmitted to the national office. ASCS reprocessed the sample using the corrected data and found that 11 of the 109 bids should have been rejected. We estimated that about 325 bids, with a value of $14 million, were incorrectly accepted in March 1991, while other bids that offered greater environmental benefits at a lower cost were rejected.

Also, in calculating the "bid cap" (the highest price ASCS will allow for taking land out of production), ASCS included the producer's share of the cost of establishing conservation practices on the land. Including this amount in the bid cap resulted in ASCS paying producers for the entire cost of conservation practices (half through the cost share, and half through the bid cap), although by law the producer is limited to only 50 percent of this cost. Further, whereas ASCS adhered to a bid cap, it did not consider a benefit minimum. Thus, there was no assurance that bids accepted for CRP payments would provide environmental benefits equal to or exceeding the Government's cost. ASCS' priority criteria for bid acceptance was to obtain the specified number of acres targeted for enrollment.

We recommended that ASCS ensure the validity of data used in bid evaluations, disregard or standardize cost shares when establishing bid caps, and establish a minimum benefits-to-cost ratio as a criteria for accepting bids. ASCS agreed with the need to improve the reliability of data used but disagreed with our other recommendations. We are currently working with the agency to resolve these issues.

Producers Received Ineligible Livestock Feed Payments

Under the Emergency Feed Program, ASCS may pay producers up to 50 percent of the cost of feed for livestock when a natural disaster occurs.

Our review of program activity in New Mexico disclosed ineligible payments totaling about $450,000 for 1989, 1990, and 1991. One producer received the payments because ASCS was unaware that the livestock was actually owned by members of an undisclosed joint venture. Two other producers received unallowable payments for ineligible livestock fed in commercial feedlots. A fourth producer earned annual gross revenue in excess of the program's $2.5 million limit, and a fifth producer claimed pasture loss on ineligible land. Also, county office personnel used incorrect feeding period beginning dates to determine benefits available to producers.

ASCS agreed to collect the overpaid benefits and review 1991 crop year payments for similar ineligible payments.

Excessive Support Payments Due to Inflated Moisture Content

We reviewed an issue that involved moisture levels in rice used to receive loan deficiency payments. ASCS officials were concerned that a Texas warehouse was providing producers with documentation showing quantities of rice that were weighed at a higher level of moisture than when actually sold. (Deficiency payments for rice are to be based only on quantities available for sale.) We confirmed that this practice was occurring and that marketing loans and loan deficiency payments for rice passing through this warehouse were based on inflated quantities.

In the Texas Gulf Coast rice producing area, quantities of rice are available for sale after drying (12.5 percent moisture or below) rather than when "green" or "wet" (18 to 20 percent moisture). The warehouse we reviewed applied a mathematical factor to the weight of the high-moisture rice to determine its equivalent weight at a 14-percent moisture level (the maximum allowed by the ASCS handbook). The warehouse then issued the producers documents for loan deficiency purposes, dried the rice to the saleable 12.5-percent moisture level, marketed it, and settled with the producers. This process resulted in inflated quantities for loan deficiency payments and did not represent the actual quantity available for sale. The process also resulted in inequitable treatment to rice producers receiving loans for warehouse-stored rice which were based on dry weights (12.5 percent or below).

ASCS officials agreed that loan deficiency payments should be based on quantities available for sale and concluded that similar situations may occur for commodities other than rice. They plan to collect information about other commodities to determine if inequities exist.

Printing Contractor Guilty of Kickback Violations

In Missouri, the president of a printing company pled guilty to violating Federal anti-kickback laws and to including the kickback payments in the contract price charged to CCC.

The company was a major supplier of printed material to CCC for many years. From 1988 to 1992, the company president solicited kickbacks totaling about $176,400 from a transportation company which was a subcontractor on the CCC contracts, and included the kickbacks in the contract price charged to CCC. Approximately $140,100 of that amount went to the company and $36,300 went to the company president. Under terms of the CCC contracts, the company was to bill CCC for the actual cost of shipping. The company received kickbacks from the transportation company of between 25 and 55 cents on every dollar the printing company claimed to have paid. As a result of the OIG investigation, $104,500 in alleged additional kickbacks were not paid.

This company has been the successful bidder on several different printing contracts for printed forms used in various agriculture programs. CCC is currently withholding approximately $136,000 in payments to the printing company. Sentencing is pending.

Federal Parolee Caught Counterfeiting CCC Checks

In Iowa, a Kansas man pled guilty to counterfeiting approximately $98,000 in CCC checks.

In November 1991, the man, who had been previously convicted of counterfeiting in Missouri, traveled to Des Moines, Iowa, and obtained a false identification card which he used to open a bank account. He was also able to obtain an original canceled CCC check from the ASCS Kansas City Commodity Office and used it as a sample to create the counterfeit checks. He used sophisticated computer software, magnetic ink, a stolen computer, and a laser printer to produce the checks. He also forged the signatures of two Texas ASCS county office employees on the checks.

In June 1992, the man deposited three of the counterfeit checks into the fraudulent bank account. Bank officials immediately became suspicious of the checks and contacted OIG, which investigated the case with the Secret Service. The counterfeiter, who used a fictitious name, was arrested when his true identity was discovered. His sentencing on the counterfeiting charge is pending. On the parole violation charge, he was sentenced to 2 years in prison.

Investigation continues in this case in an attempt to identify co-conspirators in the counterfeiting scheme.

Foreign Agricultural Service (FAS)

FAS expands foreign markets for U.S. farm commodities by gathering, analyzing, and issuing information on foreign market supply and demand; by working to gain access to foreign markets; and by promoting increased foreign consumption of U.S. agricultural commodities. CCC provides direct funding for the Export Enhancement and Market Promotion Programs, donations through the Section 416 Program, differential payments for ocean freights and direct loans through the Public Law 480 Program, and short- and intermediate-term credit guarantees through the credit guarantee programs (GSM 102 and 103).

Guilty Plea Results in $1 Million Fine and Debarment

In Atlanta, Georgia, a New York-based trading company pled guilty to 20 counts of an indictment that included charges the company schemed to defraud CCC and FAS. According to the indictment, the company schemed with the Atlanta branch of the Banca Nazionale del Lavaro (BNL) and others to inflate loans under the export credit program. The loans, guaranteed by CCC, were made to an Iraqi government organization that contracted for grain sold under the credit program. The trading company inflated some loans by including in them the bribes paid to bank employees and "after-sale services" payments demanded by the Iraqis. The trading company paid a $1 million fine and consented to be permanently debarred from all programs funded, guaranteed, or sponsored by the Government.

This conviction resulted from the ongoing BNL/Iraq investigation being conducted by OIG, the Federal Reserve Bank, the U.S. Customs Service, the Internal Revenue Service, and the Federal Bureau of Investigation under the direction of the U.S. Department of Justice.

$3.8 Million Settlement in Sugar Reexport Fraud

"Operation Bittersweet," a continuing joint investigation by OIG and the U.S.Customs Service into the diversion of nonquota sugar into the U.S. market, has again yielded significant results. The latest investigation disclosed that a Louisiana corporation that refined foreign sugar for reexport sold some of the sugar on the domestic market instead. The corporation submitted documents to FAS that falsely stated that the sugar was exported, thereby making the corporation eligible for rebates on the import fees paid on the sugar.

The corporation, without any admission of fault or liability, has agreed to pay a $2.8 million settlement to the Government and to accept the denial by the U.S. Customs Service of some $1 million in drawback claims.

Pricing Information More Accurate, but Some Difficulties Remain

Overseas markets for U.S. agricultural products are developed through the Export Credit Guarantee Program (GSM 102) and the Intermediate Credit Guarantee Program (GSM 103). Under these programs, FAS guarantees loans to countries that would otherwise be financially unable to buy U.S. agricultural products. The loans ensure that the countries' payments on the sales will be reliable and that U.S. exporters can meet the credit terms offered by foreign competitors. GSM 102/103 approved loan guarantees in FY 1992 totaled $5.7 billion.

In a 1989 audit, we reviewed the prices for commodities sold under the GSM programs and found that the selling price for some commodities may have been excessive. (Selling prices affect the amount of FAS' guarantee.) In a 1991 followup review, we found $78.6 million in pricing differences between GSM sales and commercial sales of the same commodities (rice, sugar, corn, and wood pulp). In one case, GSM sales were inflated because the purchasing country requested after-sales services and charged a stamp tax on GSM shipments.

During this reporting period, we concluded another audit which assessed FAS' actions on our prior recommendations regarding reviews of GSM selling prices and exporter compliance. We found that FAS had improved its price review system and that its price information and pricing procedures appeared to be adequate. Exporters reviewed were generally in compliance with GSM program regulations. We were not denied access to any records, and we did not find any indications of illegal or abusive activities.

We did find, however, that some exporters did not document the components of their selling prices. For 30 of the 88 GSM program sales we reviewed, with a port value of $112 million, the exporters did not document how they arrived at $61 million in selling prices. Three of the five exporters we reviewed had more than one system for tracking costs throughout a sale and, consequently, did not determine profit and loss on an overall sale-by-sale basis. In such cases, it is difficult to determine whether exporters included ineligible costs, such as after-sales services, in their GSM sales. FAS officials believe that exporters should not be required to account for all costs for this program and that FAS' price review system would reveal any major overpricing. Officials of the Commodity Credit Corporation stated they have no legal requirements for exporters to maintain detailed cost component records on a sale-by-sale basis and that such a requirement would be contrary to CCC's policy of designing programs that interfere as little as possible with efficient, normal commercial practices. Therefore, we did not make a recommendation but plan to continue reviewing the situation.

We also reported the absence of uniform procedures requiring price reviews of GSM program transactions. Each FAS division had its own procedures. We recommended that guidelines be established. FAS officials agreed to write requirements in the agency's internal regulations for GSM sales price review and specify basic guidelines for its operations.

Marketing and Inspection Services

Agricultural Marketing Service (AMS)

AMS enhances the marketing and distribution of agricultural products. Among its functions, it collects and disseminates information about commodity markets, establishes grading standards, and provides inspection and grading services. AMS' obligations for these activities in FY 1993 are estimated to total over $729 million.

Uniform Compliance Requirements Are Starting To Be Implemented

Marketing orders for fruits, vegetables, and specialty crops are authorized under the Agricultural Marketing Agreement Act of 1937. Marketing orders regulate the quantity and quality of certain fruits, vegetables, and specialty crops that can be sold. There are 39 active marketing orders and agreements covering 30 commodities produced in 39 States. Administrative committees (comprised of growers, handlers, and sometimes nonindustry representatives) are responsible for administering marketing orders, ensuring compliance with the terms of the orders, and recommending to the Secretary changes to regulations.

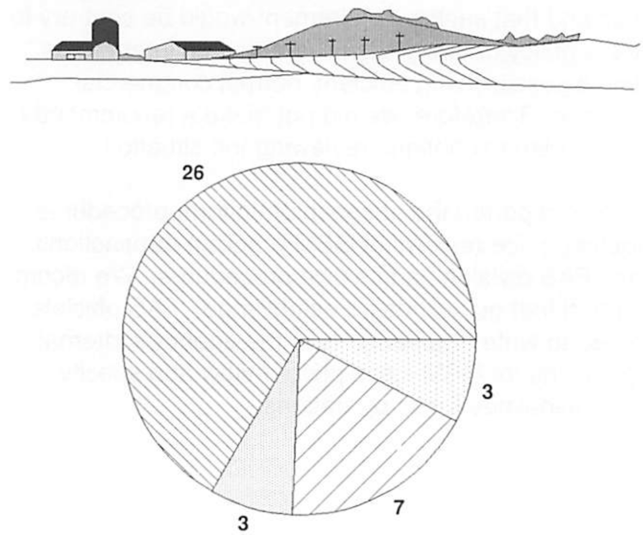
In our last Semiannual Report, we reported that AMS and OIG had initiated a special project to develop methods by which committees could more easily detect handlers' noncompliance with marketing orders and methods by which AMS could more easily evaluate committees' compliance efforts. During this reporting period, as part of the special project, a team of OIG and AMS representatives analyzed and grouped the 39 marketing orders into 4 broad compliance profiles (see figure 1).

Within each profile, the team established minimum compliance requirements for the various types of marketing orders. For some of the committees, the team developed compliance plans which specify how the committees will perform the activities in their profiles.

Due to the problems in certain marketing orders (history of complaints, economic incentives to violate regulations, etc.), the compliance profiles will require some committees to perform reviews at handlers' places of operation to verify that handlers are complying with the orders. We are in the process of developing guides to be used by the committees in conducting these reviews.

Figure 1

Compliance Profiles for Marketing Orders for Fruits, Vegetables, and Speciality Crops



QUALITY REGULATIONS WITH MANDATORY OUTGOING INSPECTIONS
VOLUME REGULATIONS WITH MANDATORY OUTGOING INSPECTIONS
VOLUME REGULATIONS WITHOUT MANDATORY OUTGONIG INSPECTIONS
ASSESSMENTS AND REPORTING WITHOUT ACTIVE VOLUME REGULATIONS OR MANDATORY OUTGOING INSPECTIONS

These new compliance requirements will provide growers, handlers, and AMS with assurance that the committees have a sound basis for determining marketing order violations and that all groups subject to the orders are being dealt with consistently and uniformly.

Animal and Plant Health Inspection Service (APHIS)

Through its inspections of animals and plants, APHIS protects the Nation's livestock and crops against disease and pests and preserves the marketability of U.S. agricultural products at home and abroad. APHIS' obligations for its FY1993 activities are estimated to total over $418 million.

APHIS Collects $1.3 Million in Overlooked Fees

The 1990 farm bill authorizes APHIS to collect user fees for agricultural quarantine inspections, veterinary diagnostics, inspections of imported or exported animals and birds, and certifications of exported plants and plant products. Airlines and railroads are required to collect and remit to APHIS fees for the inspection of luggage or commercial products arriving from places outside the United States. The U.S. Customs Service collects APHIS' fees for each vessel and each commercial truck that enters the United States. In the first 11 months of the program, APHIS officials collected over $18 million. When the program is fully implemented, APHIS expects to collect about $88 million annually.

We reviewed APHIS' administrative controls over its fees and found that it needed to strengthen these controls to ensure proper collection and remittance. The Agriculture Quarantine and Inspection Program did not have a system to identify airlines and railroads required to remit user fees and was unaware that two airlines and two railroad companies had not remitted fees totaling $1.8 million. Company personnel stated that APHIS had not contacted them regarding any late payments. As a result of our inquiries, one airline submitted a check to APHIS for $1.3 million. APHIS officials collected the payments from the remaining carriers.

APHIS personnel said that because of the time devoted to implementing the user fee program, they had not been able to implement a system to ensure that all collections had all been remitted.

We recommended that APHIS officials establish procedures to ensure that all airlines and railroads which are required to collect and remit user fees are identified. We also recommended they establish controls at the National Finance Center to identify nonpaying airlines and railroads for followup collection action.

APHIS officials agreed with our recommendations and have taken action to collect the outstanding fees. They advised that a review at the airlines subsequent to the audit resulted in the identification of an additional $1.1 million that the airline had not reported. Two people are now dedicated to conducting reviews at airline, railroad, vessel, trucking, and other user companies to determine user fee payment accuracy. To date, these reviews have uncovered $4.8 million in additional fees.

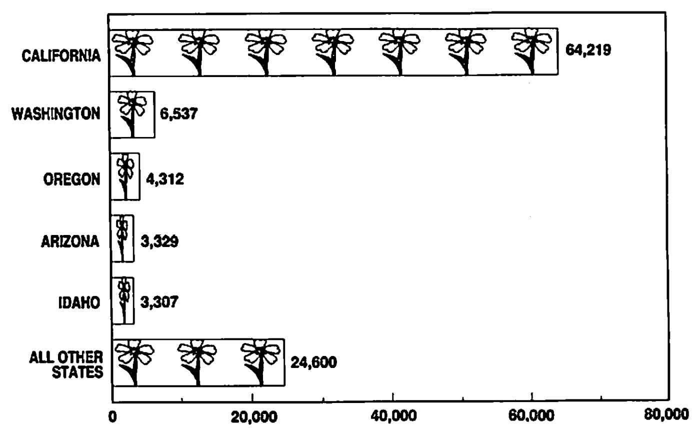
APHIS officials also stated that the National Finance Center will identify carriers that have not made their payments, and that a data base is being developed to access Department of Transportation information which will identify passenger points of origin and provide a source of data to compare remitted user fees with the number of arriving passengers. A followup audit is underway to assess these improvements.

Consistent Method Needed for Calculating Fees To Issue Export Certificates

APHIS promotes exports of plants and plant products by issuing certificates which attest to the products' pest-free condition. Although APHIS has overall responsibility for this program, it delegates much of the responsibility to State agencies while monitoring the States to ensure they conform to program requirements. Figure 2 shows that State and county inspectors issue 106,000 of the 221,000 certificates issued annually nationwide.

Figure 2

Certificates Issued Nationwide For Plants By the Top 5 States in FY 1991



APHIS issued regulations in February 1992 to standardize the method of calculating fees to issue the certificates. The regulations require that fees be set according to the average cost per certificate; an exporter would, therefore, be charged the same fee for every certificate a locality issues. Our review in California, the largest certifier of plant products in the United States, found that the State did not implement the regulations, but left each county to continue using its own method of calculation. The different methods used by California's counties to calculate certificate fees did not ensure consistent treatment of exporters. We found that fees ranged from $10 to $913 for the same services.

California did not implement APHIS' regulations because State officials believed that APHIS' method of calculation did not take inspection time into account, and because APHIS provided conflicting guidance on how the calculation was to be applied. Based on our findings and recommendations, APHIS agreed to modify its regulations and clarify its guidance. New regulations require that each locality will calculate fees according to one of two methods: they will base the fee either on the number of certificates issued or on an hourly rate for the length of inspections.

Undercover Investigation Nets Livestock Auction Owner

In Mississippi, OIG agents and APHIS compliance officers conducted a joint undercover investigation of alleged abuses of the Brucellosis Eradication Program. As a result of the investigation, a livestock auction owner pled guilty to submitting false test results in connection with the program. An OIG agent posed as a cattle dealer whose herd was allegedly infected with brucellosis, a contagious disease which can lead to reproductive dysfunctions in cattle and to nerve damage and crippling in their human handlers. The auction owner concealed the disease by filing false cattle health reports, separating the cattle into groups, and selling them under fictitious owners' names. APHIS investigators also posed as cattle buyers and purchased all of the herd.

The owner was sentenced to serve 60 days in jail and to perform 50 hours of community service. In addition, he paid $35,960 for the cost of the investigation.

Food Safety and Inspection Service (FSIS)

Through its inspections of meat processing plants, FSIS ensures that the Nation's supply of meat and poultry products is safe, wholesome, and correctly labeled. FSIS' appropriations for FY 1993 total approximately $490 million.

Corporation Guilty of Selling Misbranded Meat

In Boston, Massachusetts, a corporation and its two owners pled guilty to selling misbranded meat and to destroying documentary evidence requested by an OIG subpoena. A corporation employee also pled guilty to felony perjury charges for lying to a Federal grand jury. The employee lied about the illegal activities occurring at the corporation.

The two owners of the corporation directed employees to substitute ungraded beef product for graded product. In addition, they routinely inflated the weight of their products on their customers' invoices. After receiving an OIG subpoena for their business records, the owners and employees destroyed approximately 14,000 company invoices. The destroyed invoices would have fully detailed their illegal actions.

Sentencing in this case is pending.

Natural Resources and Environment

Forest Service (FS)

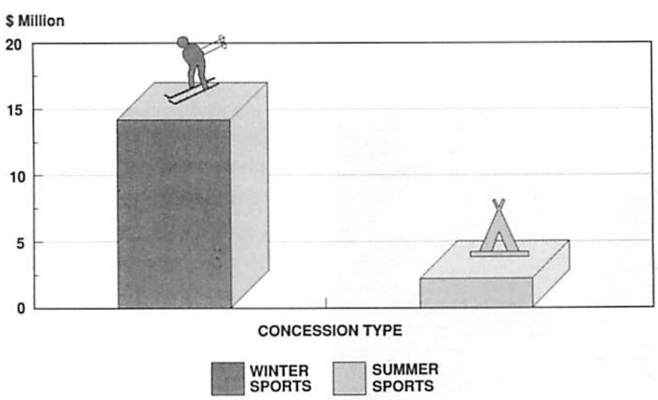
FS manages natural resources on over 191 million acres of the National Forest system, conducts a State and Private Forestry program, and is responsible for national leadership in forest and range conservation practices. For FY 1993, the FS appropriation totaled approximately $3.3 billion, and timber sales and other receipts are estimated at $1.2 billion.

Improvements Needed in the Collection of Fees at Large Resorts

The FS allows concessionaires to operate resorts on its land by granting each concession a special-use permit and charging a fee. In FY 1991, FS collected $2.2 million from concessionaires operating summer resorts and $14.2 million from concessionaires operating winter sports areas, primarily ski resorts. Figure 3 illustrates the amount of concession revenue collected by FS by type of concession.

Figure 3

Concession Revenues–Winter Sports vs. Summer Resorts (Fiscal Year 1991)



We conducted audits at three large concessions — two ski resorts and a summer resort — to determine if the concessionaires reported income and assets accurately for fee calculation and if the FS adequately administered the permits. All three resorts were located on FS land and paid a total of over $3.6 million in fees for the 3 years ending in 1991. In addition, the summer resort used an FS-owned complex, which included a lodge, a marina, and campgrounds. Fees charged for land are based on the concession's sales and its investment in the resort (assets). Fees charged for FS-owned facilities are established based on a percentage of the appraised fair market value of the facilities.

We found that FS had not enforced compliance with written direction concerning fees and did not have effective methods to detect errors in fee information submitted by the concessionaires. We calculated that, as a result of errors and omissions, the concessionaires' fees were understated by about $581,000 from 1989 to 1991. In addition, FS lost the opportunity to collect additional fees totaling about $191,000 for the use of FS-owned facilities and for the FS' share of sublessee revenues.

- Two of the three concessionaires overstated the asset values used in the fee calculation. Overstated asset values decrease the fees paid to FS. In one case, the concessionaire failed to report a change in ownership and the resulting writedown of its asset values to FS. In other cases, the concessionaires reported ineligible assets, Government-owned assets, and nonexistent inventory as eligible concession assets for fee calculation.

- FS did not require one concessionaire to pay a fee for using FS-owned facilities. The fee was dropped due to a nonbinding, undocumented, verbal agreement that the concessionaire invest at least $3 million in the facilities over a 30-year period. Federal regulations require that a fee be assessed, but FS did not include provisions for the fee in the concessionaire's permit. In addition, FS has no assurance that the $3 million investment will actually occur or that the agreement is enforceable.

- FS did not collect its share of revenues from sublessees at one concession. Under FS policy, FS should receive up to 50 percent of payments collected from sublessees by the concessionaire; however, for the concession we reviewed, FS did not include provisions in the permit for such a fee. From 1989 to 1991, the concessionaire collected rents from five sublessees amounting to over $453,000. During the same period, the concessionaire paid the FS fees totaling only $449,177. Therefore, the concessionaire collected more money in rents from sublessees than the total fee it paid FS for operating the whole resort. Had the FS shared in the receipts, as required, concession fees would have increased by almost $107,000 from 1989 to 1991.

The FS has agreed to collect all fees due as a result of our audit on the three concessions and to negotiate with one concessionaire on including provisions for the collection of additional fees.

Forest Damaged by Timber Theft

A forest in northern California was damaged extensively when two Oregon miners illegally harvested timber from their mining claim on the FS land. Damages to the environmentally sensitive forest are estimated to be in excess of $100,000.

The investigation, which was conducted with the FS' Inter-Regional Timber Theft Task Force, disclosed that during 1991, the miners illegally sold timber from their California mining claim. They harvested the timber from FS land and, to conceal the theft, mixed it with private timber they were selling legitimately. At trial, both miners were convicted of the theft. One of the miners was convicted on the additional charge of depredation of national forest land. Sentencing is pending.

During the investigation, one of the defendants threatened to kill law enforcement and judicial officials involved in the case. He was subsequently arrested and held without bail throughout the trial as a result of these threats. He has now been indicted on the additional charges of threatening law enforcement officers, judges, and their families and on various weapons charges. Trial is pending on this aspect of the case.

Oregon Man Convicted in Theft of Pacific Yew Bark

As a result of a joint investigation by OIG, FS, and State and local law enforcement officers, an Oregon Pacific yew bark harvester was convicted of theft of yew bark from national forests and for providing a false statement to an FS special agent. This investigation was opened at the direction of the Secretary of Agriculture, who had received reports that Pacific yew bark was being stolen from national forests. Pacific yew bark is a major source of taxol, a cancer-fighting agent.

The investigation disclosed that the harvester and others illegally took yew bark from FS land in excess of the amount their permits allowed, harvested bark after their permits expired, and hid and repackaged the bark in an effort to avoid detection.

The harvester's first trial ended in a mistrial when the judge learned that he had threatened a Government witness to influence his trial testimony. To date, two other individuals have pled guilty to charges relating to the theft of Pacific yew bark. Sentences are pending.

An OIG agent inspects evidence of an illegal yew bark harvest in Oregon. OIG photo.

Science and Education

Agricultural Research Service (ARS)

ARS is USDA's in-house research agency. It supports a nationwide infrastructure of laboratories that conduct innovative and mission-oriented research in agriculture and forestry, human nutrition and home economics, marketing, and rural development. ARS will spend over 90 percent of its FY 1993 appropriation of more than $703 million in direct research conducted at 126 locations in the United States, its territories and possessions, and abroad.

Project Costs Were Not Properly Classified

In a prior audit of the ARS Parasite Research Laboratory at Auburn, Alabama, we found the laboratory manager mischarging staff time and other research-related expenses in order to circumvent project budgets. We also found scientists conducting research outside of ARS' mission. Consequently, we performed a followup review at the Southeast Poultry Research Laboratory in Athens, Georgia, to determine if similar problems existed there.

While we did not find any instances in Athens of research being performed outside the mission of ARS, we did find instances of it being conducted outside assigned project objectives. Scientists were spending up to 15 percent of their time on other than approved research activity and charging this time to approved projects. ARS research managers also charged their purchases of general supplies and equipment to approved projects that had funds available even though those items were not intended for those projects alone. Over 30 percent of the $935,000 expended in FY 1991 by the laboratory was incorrectly charged this way.

We concluded that controls established by ARS to ensure proper allocation of research costs did not prevent or detect deficiencies. We recommended that ARS review its policies and procedures for accountability and improve project monitoring.

As a result of our audit, the ARS Administrator established a task force to study these issues and propose corrective actions. The task force held its first meeting in January 1993. The minutes of the meeting show that ARS has committed considerable resources and time to addressing the audit recommendations. The task force agreed with the findings and has developed proposals to correct each reported condition and improve operations.

Small Community and Rural Development

Farmers Home Administration (FmHA)

FmHA administers loan and grant programs that provide farm credit and rural housing assistance to individuals and entities who cannot obtain credit elsewhere. As of September 30, 1992, over 865,000 borrowers owed FmHA about $46 billion. In addition, FmHA guaranteed more than $5 billion in loans made by private lenders to about 45,000 borrowers. FmHA administers its programs through its national office and a network of State, district, and county offices.

Rural Rental Housing (RRH) Program

New Cases of Excessive Costs Found

Through the RRH Program, FmHA provides loans to borrowers to construct or rehabilitate affordable apartments in rural areas. The apartments are made available to individuals with very low to moderate incomes. As of April 1992, FmHA's RRH loan portfolio totaled about $12.6 billion.

As a result of the irregularities in RRH construction costs we described in our last Semiannual Report, we performed additional work to identify other potential problem cases. We reviewed 19 RRH projects in 13 States and Puerto Rico. The borrowers we reviewed were multi-State developers who received about 20 percent ($115 million) of the total loan funds obligated nationwide during FY 1991.

Our audit disclosed that excessive or questionable costs amounting to about $2.8 million were charged to the 19 RRH projects reviewed. Three borrowers are currently under investigation because they are suspected of misrepresenting project costs and diverting labor and materials to other business ventures.

For four of the projects, excessive costs occurred because of "profit layering," where more than one party charges profit on the same work. In these cases, the contractors who built the apartments included a profit margin in their claims for costs, while the borrowers represented themselves to FmHA as the builders and included a second profit margin. Overhead and supervision expenses were similarly duplicated. For other projects, borrowers charged unallowable and unsupported costs. One borrower used a broker who assessed a 3-percent markup to purchase all materials.

In addition, one borrower subdivided a $6.8 million RRH project into 10 projects to circumvent loan approval requirements. This borrower has been referred for investigation for making suspected fraudulent charges to his projects.

We recommended that FmHA recover the unallowable and unsupported charges we identified and establish procedures to prohibit RRH projects from being subdivided.

FmHA generally agreed with our recommendations and has initiated corrective action.

RRH Borrowers Convicted of Conspiracy and Fraud

In Michigan, three persons, including an RRH building contractor, a business associate, and the associate's wife, were convicted of conspiracy and fraud for falsifying costs in the construction of an RRH project. The business associate, who had previously been convicted of RRH fraud and was under an order of debarment during the period of construction, conspired to inflate the costs of building a road adjacent to the project. To conceal the debarred person's involvement in the project, the conspirators formed a dummy corporation to receive the funds for the road construction and pass them through to the debarred party.

The contractor was sentenced to 1 year in prison, fined $30,000, and ordered to pay $12,000 in restitution; the business associate was sentenced to 5 years in prison, fined $10,000, and ordered to pay restitution as directed by FmHA; his wife was sentenced to 1 year in prison.

RRH Project Funds Misused

During this period, several FmHA State directors asked us to audit specific RRH projects. We found that several borrowers misused project funds.

- In one State, a borrower withdrew over $331,000 from his project's reserve account and $17,000 from the project's general fund without FmHA's approval and diverted the funds to his personal use. These withdrawals cost the project over $35,000 in lost interest income. The borrower also diverted over $20,000 in operation and maintenance account funds to his personal use.

- In another State, debts were not being paid for one borrower's projects because his management company used project revenues to pay improper or excessive expenses. Of 28 projects owned by the borrower and managed by a company he also owned, 22 had reserve accounts that were underfunded by a total of $460,000. Sixteen of the projects were delinquent over $300,000 in FmHA loan payments, and eight were delinquent in paying $67,000 in real estate taxes, making them liable to tax liens. We identified $130,000 in excessive or improper charges that could have been applied to these debts.

FmHA State directors agreed with our recommendations to recover funds and to ensure that the projects are operated in a manner consistent with regulations.

Socially Disadvantaged Loan Program

Allocation Practices Need Improvement

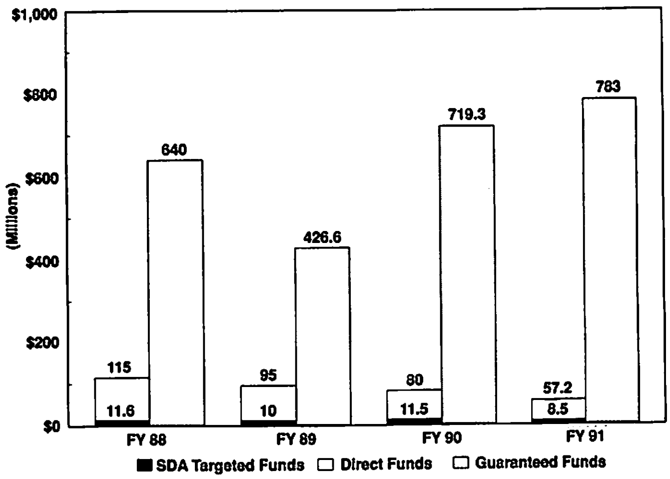
The Socially Disadvantaged (SDA) loan program is mandated by the Agricultural Credit Act of 1987 to ensure that members of minority groups have the opportunity to receive USDA real estate loans. The act requires FmHA to establish target participation rates for each county based on the minority population and the availability of USDA inventory farmland in the county. Funds are to be allocated to counties based on these target participation rates.

We found that FmHA had not implemented the program in accordance with the act. FmHA officials decided in 1988 to target about 10 percent of the direct loan funds, but none of the guaranteed loan funds, to the program. Since guaranteed loans for the years 1988 through 1991 were over 600 percent greater than the $347 million appropriated for direct loans, FmHA should have targeted an additional $300 million for those 3 years. As a result of our audit, beginning with FY 1992, FmHA included guaranteed loans in the SDA program.

Figure 4 shows the relationship between SDA targeted direct funds and total direct and guaranteed funds for FY's 1988 through 1991.

Figure 4

Comparison of SDA Funds to Available Funds



FmHA also did not allocate program funds in a manner consistent with the act. The act requires FmHA to allocate funds based on each <u>county's</u> minority population <u>and</u> on the availability of inventory farmland. FmHA, however, used only the <u>State's</u> minority population (while disregarding the availability of inventory farmland) to allocate funds on a statewide, and not a countywide, basis. In FY 1990, FmHA spent all targeted direct loan funds and although 25 States and territories spent more funds than allocated, 12 States and territories made no SDA loans.

We recommended that FmHA set target participation rates on a county basis, allocate funds on the same basis, and report to Congress on each county's success in meeting the rate. FmHA's position is that the allocation of funds to States based on county target participation rates is not practicable and would negate Congressional intent to promote loans to SDA applicants. However, in setting target participation rates, consideration of each county's minority population and availability of inventory farmland is currently required by the Agricultural Credit Act of 1981.

We are working to achieve management decision.

Land Acquisition Loans

Some Practices Related to Indian Tribal Land Make FmHA Vulnerable to Loss

In 1970, FmHA was authorized to make land acquisition loans to Indian tribes that did not have adequate funds, were unable to obtain credit elsewhere, and showed reasonable prospects of repaying the loans. Through April 1991, FmHA had made 113 such loans, totaling about $93.2 million, to 29 tribes. We reviewed 18 of these loans, totaling about $15.4 million, made to 3 tribes to determine if they had been made and serviced in accordance with regulations. These tribes had used either mortgages on the acquired land or income from the land as collateral for the loans.

We found that for the loans made with acquired land as collateral, FmHA's ability to graduate loans to other credit was difficult. The land, once purchased by the tribes, was placed in trust with the Bureau of Indian Affairs (BIA) and by law could be neither seized without the approval of the United States nor remortgaged to private lenders. For loans made with income assignments as collateral, FmHA was vulnerable to loss because income was the only collateral. Two tribes' collateral included income from timber harvesting. FmHA had already seen its security position reduced on these loans when the tribe harvested timber without making comparable loan payments. FmHA would have difficulty graduating any of the 18 loans made to the 3 tribes to other sources of credit, as required by the regulations.

We also concluded that two of the three tribes were not eligible for $9.6 million in loans because they had other funds or could have obtained credit elsewhere. One tribe had access to funding through BIA, while the other had sufficient resources of its own.

We recommended that FmHA ensure that collateral is adequate to allow servicing for graduation and that borrowers make payments against their loan principal when they remove assets whose sale produces income taken as collateral. We also recommended that FmHA recover the loans made to the two tribes that had funds to acquire the land or were able to obtain credit elsewhere, and we recommended that before approving loans for land acquisition, FmHA ensure BIA is unwilling to make such loans.

FmHA generally agreed with our findings and recommendations to strengthen the loan program. FmHA did not agree, however, that one of the two cited tribes was ineligible for the loans and that loan funds should be recovered. We are working with the agency to achieve a management decision.

Debt Reduction Program

Borrower Sentenced for Attempted Fraud

In Mississippi, an FmHA borrower was found guilty of making false statements to FmHA in an attempt to have his FmHA debt of almost $1.5 million reduced to less than $540,000 through the Net Recovery Buyout Program. The borrower failed to list three profitable businesses he owned and his interest in a cattle feeding operation with a $1.5 million line of credit. The borrower was sentenced to serve 1 year in prison, fined $5,000, and placed on 3 years' probation.

Federal Crop Insurance Corporation (FCIC)

Policyholders Misrepresented Facts

FCIC amended its regulations in 1990 to provide for a nonstandard classification system, beginning with the 1991 crop year. Under the nonstandard system, insureds with a history of excessive claims may be assigned lower than standard yields or higher than standard premium rates or both. The nonstandard classification assigned to a person applies to all insurable acres the person is actively engaged in farming and to any entity in which the person has substantial interest.

For the 1991 crop year, the nonstandard procedures applied only to soybeans. At the request of FCIC, we reviewed the operations of three newly insured producers of soybeans because they were the sons of soybean producers who were scheduled to receive nonstandard reductions in assigned yields. We found that the fathers provided all capital, assumed all the risks, paid all expenses, and leased land and equipment to the sons. Thus, the fathers were actively engaged in the farming operations and had a substantial interest in the insured acreage. We concluded that the fathers and sons misrepresented their interests in the insured soybean crops, and we questioned loss indemnities totaling over $200,000.

We recommended that FCIC require the reinsured companies to cancel the 1991 insurance policies for the three new policyholders, recover the indemnities paid, and remit the recovered funds to FCIC.

17 Farmers Plead Guilty in Crop Insurance Fraud Cases

As a result of a joint OIG and FCIC investigation, 17 Louisiana farmers have pled guilty in Federal court to mail fraud charges in connection with over $1.5 million in fraudulent crop insurance claims. The claims were filed from 1987 to 1990 and reported nonexistent crop losses of soybeans, rice, and wheat. The farmers, mostly acting individually, concealed their true production from the insurance adjusters by selling crops under fictitious names. To date, seven farmers have been sentenced and ordered to pay a total of $283,500 in restitution. Each received 3 years' probation.

FCIC Needs To Revise Its Method of Computing Sugar Production

An audit of 1990 sugar cane crop insurance claims in Louisiana disclosed that FCIC's method of computing yield guarantees and adjusting losses for sugar cane needed revision. FCIC used the sugar mill's preliminary estimates of sugar production, which were less than actual, to record harvested production during the insurance period. Sugar mills routinely made low estimates to anticipate production losses, but the losses did not always occur. As a result, crop losses were overstated and insureds were issued excessive payments.

We recommended that FCIC increase mill estimates of sugar production to compensate for losses anticipated by the mills. FCIC agreed to take corrective action.

Computer Checks Needed for Peanut Crop Insurance

Effective for the 1990 crop year, FCIC requires insurance coverage for peanuts to be based upon a single "unit" that includes all insurable acreage of peanuts in the county in which the insured has a share in the identified ASCS farm number. Through a computer analysis of 1990 peanut insurance data, we identified 119 farms nationwide that had been paid indemnities of about $4 million even though insurance coverage included multiple units of peanuts on the same farm. FCIC and insurance company personnel incorrectly insured these multiple units because the FCIC computer system did not have an edit check to identify units of peanuts in which the same individual or entity had a share.

We recommended that FCIC implement a computer check to detect peanut farms that have more than one insured unit per individual per ASCS farm number and that it collect any overpayments because of improper coverage of multiple units. FCIC officials agreed to take these corrective actions.

$1 Million Settlement in Grape Loss Fraud

A family-owned California grapegrowing partnership agreed to pay the Government $1 million plus interest in settlement of a civil lawsuit. Our investigation, which was conducted jointly with the Internal Revenue Service, disclosed that the partnership claimed crop losses in 1982 and 1983 which, in fact, did not occur and, as a result, illegally received over $1 million in crop indemnity payments from FCIC.

The partnership and one of its partners were subsequently indicted on criminal charges of defrauding FCIC. In a separate indictment, all three brothers were charged with income tax fraud. In addition, the three brothers, as individuals, and the partnership were charged in a civil lawsuit with violating the False Claims Act by participating in a scheme to defraud FCIC. The criminal charges relating to the FCIC fraud were subsequently dismissed by the Government in lieu of the civil lawsuit. However, all three brothers were given prison sentences after they were convicted of tax evasion for tax years 1981 through 1983.

Rural Electrification Administration (REA)

REA makes or guarantees loans to rural electric and telephone utilities. As of September 30, 1992, REA had about 2,500 active telephone and electric borrowers with outstanding revolving fund loans of about $15 billion, telephone bank loans of about $2 billion, and loan guarantees of about $21 billion. The Rural Economic Development Loan Program has 275 outstanding loans of approximately $24 million.

Electric Distribution Cooperatives Not Investing in Rural Development

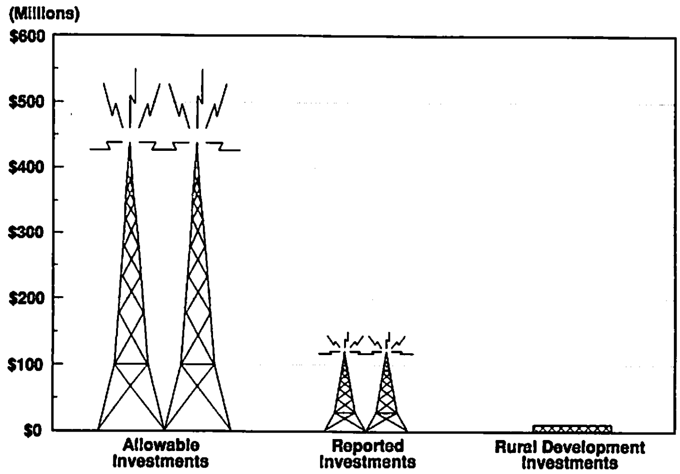
REA allows its borrowers to use some of their funds for investment purposes. Until 1987, borrowers could, without REA's approval, invest up to 3 percent of the value of their total utility plant. To encourage greater investment in rural development, Congress increased the allowable investment amount in 1987 to 15 percent of the value of a borrower's total utility plant. The change in law did not, however, restrict investments to rural development.

Our evaluation of the effect of increasing the investment limit from 3 to 15 percent disclosed that it did not promote significant borrower investments in rural communities. We statistically sampled 100 of 867 electric distribution cooperatives that submitted investment information for calendar year 1991 and found that only 14 reported investing in rural areas. The rural investments of these 14 cooperatives totaled less than $1 million and ranged from 0.01 percent to 0.79 percent of each cooperative's total utility plant value. By contrast, the 100 cooperatives reported overall investments of $150 million, or 4.1 percent of their plant value. Figure 5 illustrates the extent of rural development investments by the sampled cooperatives.

We projected that 121 of the 867 cooperatives had rural development investments totaling $8.4 million, or

Figure 5

Investment in Rural Development–Allowable vs Reported



Based on random sample of 100 cooperatives

0.02 percent of plant values of $31.7 billion. REA officials attributed the absence of significant investments in rural development to the cooperatives' concern that these investments carried high risk. Further, because cooperatives can use REA funds for mission purposes in place of their own funds that are invested in rural development or for other purposes, expanding the level of investments can increase the demand for REA loans.

We also found that electric borrowers generally did not report all of their investments to REA. REA had determined that certain investments, such as U.S. Treasury bonds, could be excluded from the calculation of the percent of investments to plant value. Two electric cooperatives we reviewed reported investments of about $8.0 million and $1.9 million (7.87 percent and 14.74 percent of their plant values), respectively, but had actual total investments of about $25.7 million and $4.5 million (25.35 percent and 35.69 percent of their plant values), respectively. Although legislation does not address any investment exclusions, REA's policy is to exclude investments that carry a high degree of safety, such as insured certificates of deposit and U.S. Treasury notes.

We recommended that REA advise electric cooperatives on making sound, secure investments. We also recommended that REA give borrowers a list of investment definitions and ensure compliance with the 15-percent investment limit by requiring borrowers to list all investments and to identify those used in the calculation of the percent of investments to total utility plant values.

REA officials generally agreed with the audit recommendations and have initiated corrective action. They did not agree, however, that they should publish guidance on the assessment of risk in making investments. REA officials replied that Congress intended that cooperatives be permitted to make investment decisions without REA's approval and that investment decisions by REA borrowers should remain with the locally elected board of directors and management of the REA borrowers. Our concern is that the objective of promoting rural development is not being met. We are continuing to work with REA on its need to advise cooperatives on credit risks.

Financial, Administrative, and Automated Data Processing Systems

Financial Management

USDA has identified financial management systems as a high-risk area. Because of material weaknesses in financial management and material financial system nonconformances, USDA was not in compliance with the Federal Managers Financial Integrity Act (FMFIA) for FY 1992. OIG also identified additional weaknesses while performing financial statement audits required by the Chief Financial Officers Act of 1990 and while reviewing the USDA computer centers which operate the financial systems.

Management Reports Note Improvements Needed at Two Agencies

The management report is a by-product of a financial statement audit. It discusses issues identified during the audit that are not material to the financial statements but that warrant management's attention. During this period, we issued management reports to two agencies whose 1991 financial statements we previously audited—Food and Nutrition Service and Forest Service.

At FNS, three issues warranted management's attention:

- FNS did not have a method to compile and report food stamp inventory at the printing company, at the distribution center, or in transit to individual shipping points. In addition, FNS did not account for all food stamp activity through the end of the month on its monthly accountability report. This could result in inaccuracies in FNS' financial statements.

- Of the 26 State agencies we reviewed, 15 did not verify that inventory control points reported issuances and mail issuance returns accurately and could not ensure that the required 3-year onsite reviews of all inventory points were performed. The food stamp inventory is, therefore, more susceptible to loss, theft, and misuse.

- We found that 62 of 108 statistically selected inventory points had one or more internal control weaknesses in the accountability and security over food stamp inventory. Not all inventory points performed accurate monthly physical inventories or safeguarded mail returns from loss or theft.

FNS officials agreed with all of our recommendations to tighten controls over inventory, but did not believe it necessary to account for food stamp activity through the end of each month. They believe their current accounting system for food stamp activity based on State agency monthly issuance cycles on FNS' monthly accountability reports maintains the same level of accuracy in its financial statements as would the use of a report on food stamp activity reflected over a mandated calendar month. We are working with FNS to resolve the matter.

At FS, four issues warranted management's attention:

- FS did not maintain an overall trial balance during its manual integration process, which reduced assurance that all transactions remained in balance. Also, because expenses were not reconciled to obligations, the FS' statement of reconciliation to the budget did not show that expenses in the financial statements were consistent with those in the budget reports.

- The overview included with the financial statements needed clarifications to prevent the reader from being misled.

- Corrective actions recommended in an FY 1990 audit had not been implemented, so many conditions reported in the audit continued to exist. Delinquent accounts were not reported to credit bureaus as OMB requires, and no official guidance had been given to FS employees for making referrals to collection agencies. FS personnel continued to use resources unnecessarily to deal with clearly uncollectible accounts.

- Cost data for timber sales were not always properly developed. Incorrect or unsupported cost adjustments had been made at 4 of 10 statistically selected national forests, and none of the 10 had established the codes to separately capture the costs of litigation. Construction engineering costs were erroneously allocated in all 11 Southwestern Region forests because the regional office had issued incomplete instructions.

FS officials generally agreed with our findings and have initiated corrective actions.

USDA Needs To Document Control Environment and Objectives

General control objectives and techniques establish standards for ensuring that the internal control policies and procedures established by management are followed. Lack of such objectives and techniques increases the possibility that controls are not implemented uniformly and that errors or omissions will not be detected in a timely manner. We found that USDA's two processing centers needed to document their controls more completely.

- The National Finance Center (NFC), operated by the Office of Finance & Management (OFM), needs to fully document its general control environment, including objectives and techniques; improve controls over changes to master files (sweeps) to ensure audit trails are established; tighten access controls to prevent unauthorized persons from obtaining and modifying data; and ensure risk assessments are conducted within the mandatory 5-year timeframe.
- The National Computer Center (NCC), operated by the Office of Information Resources Management (OIRM), needs to identify and document its internal control objectives and techniques. Neither NCC nor OIG were able to identify all the general controls that may have been in place. NCC also needs to strengthen its contingency plan for processing at an alternate location in the event of a disaster. It should restrict access to computer operations, and review the system console log to detect unauthorized use of the computer.

We recommended that NFC document its general control environment, develop automated audit trails for file changes, conduct an indepth security review, and timely complete risk assessments. We recommended that NCC document and test its internal control objectives and techniques, strengthen contingency planning by notifying USDA officials that agencies need to identify their critical applications and by establishing an approach to test the contingency plan with all agencies, clearly define internal control objectives and techniques in the security area, and increase oversight of risk analysis processes.

OFM and OIRM officials agreed with our recommendations and are initiating corrective action.

Automated Data Processing

A wide range of automated resources are used to carry out the mission of USDA. OFM and OIRM use large mainframe computers to operate payroll, accounting, and program systems for USDA as well as for other Federal departments and agencies. At the same time, individual USDA agencies use minicomputers and personal computers both as standalone systems and as links in local or national networks. These agencies are procuring new hardware and software to take advantage of technological advancements that improve program delivery. The magnitude of these procurements requires effective planning and oversight.

OIRM is responsible for the direction and oversight of computer systems in USDA. USDA agencies are required to obtain technical approval from OIRM for all procurements of data processing services and products with system life cycle costs exceeding $500,000.

OIRM Needs To Increase Oversight of System Procurements

During FY's 1989 through 1991, 18 USDA agencies requested technical approval from OIRM for 50 proposed computer systems costing about $4.2 billion.

We concluded that OIRM was not following or enforcing its own controls over these procurements. Agencies were granted technical approval for acquisitions even though the acquisitions were not included in agency long-range plans and associated costs were not included in budgets. OIRM had not allowed itself adequate time for technical reviews, had not documented adequate support for technical decisions, and had not established a tracking system to ensure that problems identified during technical reviews were corrected before technical approval was granted. In addition, agencies acquired $3.2 million in computer resources without requesting technical approval.

OIRM also had not conducted any reviews of major agency computer systems since 1990. Departmental regulations stipulate these reviews are to be made of all major systems, organizations, and resources to help agencies improve their program delivery and increase integration of computer systems into their programs.

As a result, USDA does not have the best assurance that systems procurements will meet mission needs, conform with long-range agency plans and OMB requirements, and be cost effective.

We recommended that OIRM enforce its controls and ensure that problems identified during technical reviews are resolved before granting approval. OIRM officials concurred with our findings and recommendations.

Administrative Operations

USDA Could Do More To Control Workers' Compensation Costs

The Federal Employees' Compensation Act (FECA) provides compensation for Federal civilian employees injured while performing their duties. These benefits include (1) compensation for lost wages, (2) monetary awards for bodily impairment, (3) medical care, and (4) vocational rehabilitation services. The U.S.Department of Labor (DOL) administers the FECA. The employing agency is responsible for submitting FECA claims and providing job placement assistance for those employees who can return to work. DOL bills agencies annually for their share of FECA costs. Within USDA, OFM is responsible for developing Departmental policies and for providing program oversight.

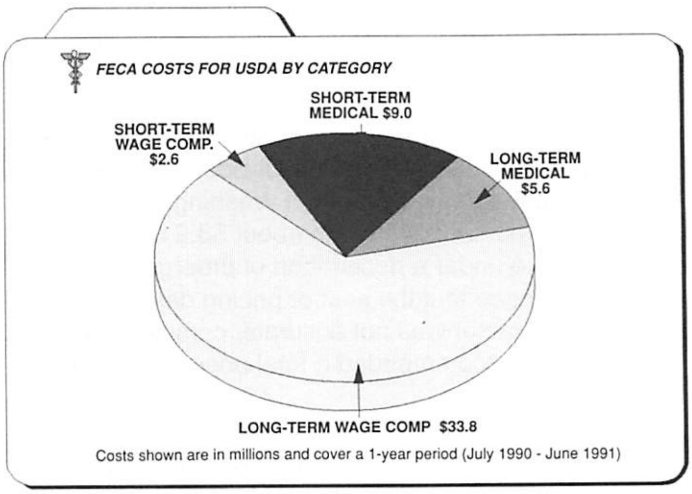
We participated in an audit of the FECA program, sponsored by the President's Council on Integrity and Efficiency. Participating departments evaluated whether their agencies were taking sufficient actions to control their FECA costs. Between 1988 and 1992, USDA's FECA costs rose steadily from $37.9 million to $55.1 million. Figure 6 shows that, for the period of our review (July 1, 1990, through June 20, 1991), USDA paid about $39.4 million to 2,235 claimants who received benefits, primarily lost wages, for a long-term period (more than 1 year).

Our audit showed that USDA could do more to avoid FECA overpayments and help claimants return to work. We found the following.

- Agencies had no active return-to-work programs and did not maintain any contacts with former employees once the employees were removed from the active payroll. Agencies believed that once employees were placed on the FECA rolls, the agencies no longer needed to monitor their status. Medical reports showed that 16 percent of the long-term claimants were able to work, with some restrictions on their activities. These employees received $15.5 million in wage compensation since the time they were reemployable; they can receive an estimated $135 million over their life expectancies if measures are not taken to return them to work.

Figure 6

FECA Costs for USDA by Category



- Agencies had not taken active roles in the vocational rehabilitation of their former employees. The agencies did not determine what efforts DOL undertook to rehabilitate and reemploy claimants, did not monitor employees' rehabilitation progress, and did not tailor their training to fit the available Federal jobs within the claimants' physical limitations.

- Agencies had not identified overcharges to their workers' compensation programs by monitoring DOL actions to verify costs. We estimated that 153 of the 2,235 long-term claimants were overpaid $1 million because they received compensation while working in other jobs, or because DOL miscalculated their benefits or did not terminate their benefits in a timely manner.

We recommended that USDA agencies monitor the status of claimants, monitor program costs, and review all long-term cases to identify claimants who are able to work and provide job placement assistance for them.

OFM officials agreed with the recommendations and have developed a corrective action plan to correct the conditions noted during the audit.

Audits of Contracts

OIG audits of contracts help USDA procurement offices negotiate, administer, and settle USDA contracts and subcontracts. During this period, OIG performed or arranged for audits of 19 price proposals, cost reimbursement contracts, or contractor claims. These audits resulted in questioned costs or potential savings of about $4.3 million. Also, management decisions were made on 22 audits, resulting in savings of more than $1.5 million.

- An audit was performed on a contract awarded by FS for the aerial application of insecticide for the eradication of the Asian gypsy moth in Washington and Oregon. The contract, worth about $8.2 million, was entered into under a declaration of emergency. The audit disclosed that the cost or pricing data submitted by the contractor was not accurate, complete, or current and recommended a total price decrease of over $757,000.

- SCS and a local government agency entered into a contract with a private contractor to repair a dam. The contract was terminated for the convenience of the local agency, and the contractor submitted a claim for $1 million for labor, equipment, material, and subcontractor costs. The audit questioned $487,000 of the contractor's claim. The questioned amount included costs that were incorrectly classified, lacked supporting documentation, were incurred in payment of an unapproved subcontractor, duplicated other claimed costs, and contained clerical errors.

- An audit was performed on a price proposal worth $2.9 million for the construction of a watershed project. We questioned about $325,000 of the proposed cost because the labor rates were excessive and because some tasks included in the proposal had been eliminated but their associated costs had not. We questioned another $9,000 for the use of adjacent land for a roadway because the cost was unsupported.

The contracting officers will use the information reported in the audits to negotiate with the contractors for allowable amounts.

Oversight of Non-Federal Auditors

OIG monitors the work performed by non-Federal auditors for agencies of the Department and takes appropriate steps to ensure that their work complies with the standards established by the Comptroller General. For the audits of 13 State and local governments for which we have been assigned single audit cognizance, we work closely with both the auditee and the independent auditors, meeting with them frequently to monitor the progress of the audit and to provide technical assistance. OIG reviews the work performed by non-Federal auditors to determine that it meets the requirements of OMB Circular A-128, Audits of State and Local Governments, and the standards promulgated by the Comptroller General. In addition, OIG participates in the quality control reviews, led by other assigned cognizant Federal audit organizations, of State agencies administering major USDA programs.

During this 6-month period, we issued 7 audit reports covering areas over which we have been assigned cognizance. Of these reports, 3 contained recommendations with questioned costs of about $125,000 in USDA assistance. In addition, we received and distributed 52 reports furnished to us by other cognizant Federal agencies. Of these, 15 contained recommendations with associated monetary values of about $516 million.

We also have general oversight responsibilities for the quality of reports prepared by non-Federal auditors, pursuant to program requirements. In our prior Semiannual Report, we stated that our current review of audit reports and supporting working papers for over 50 audits of FNS and FmHA programs found that many of the audits did not meet all auditing standards. To date we have referred 23 firms to the State licensing authorities for action because of the serious deficiencies we found in the firms' work. We also referred these firms to the American Institute of Certified Public Accountants. In addition, we recommended that the agencies consider administrative action, such as debarment.

As part of our audit effort, we evaluated the agencies' handling of the audit reports they received. FNS reviews the reports and prepares summaries of the program deficiencies, but it did not distribute these summaries to the organizations being audited or to the independent auditors as an alert to future problems.

FmHA does not perform a thorough evaluation of the reports or an analysis of the data contained in them. It does not place a high priority on ensuring the timely receipt of the reports; during the period of our evaluation, 259 of the 417 required reports at the offices we reviewed had not been submitted by the due date.

We recommended that the agencies strengthen their review process and make greater use of the reports. We also recommended that regulations be amended so that audit firms that do not comply with professional standards or program requirements are put on notice that they may be debarred or suspended. Agency officials are taking corrective actions to address these issues.

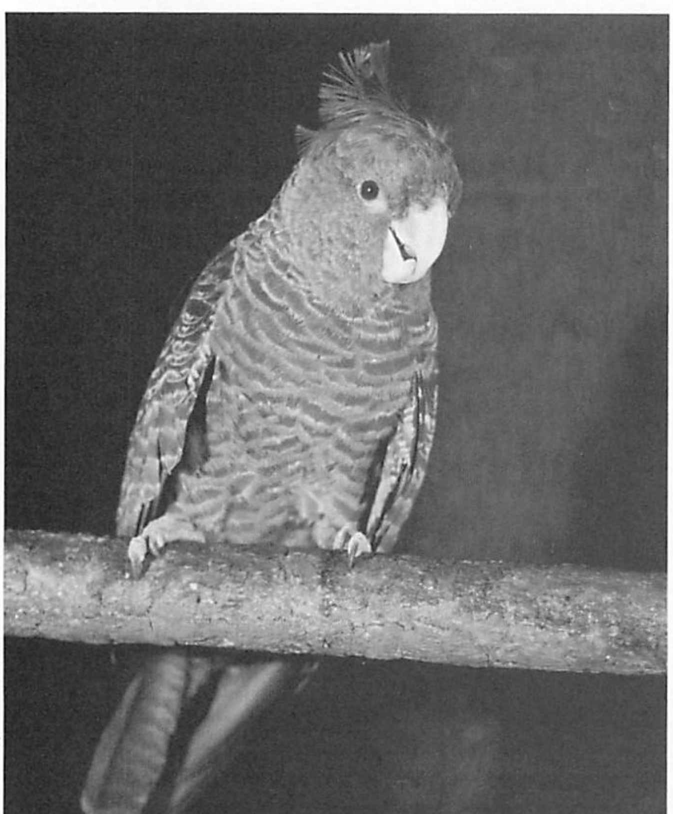
Employee Integrity Investigations

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

During the past 6 months, our investigations into serious employee misconduct resulted in 12 convictions of current or former USDA employees and 23 personnel actions, including reprimands, removals, suspensions, and resignations. The following are examples of some of these investigations which yielded such results during the past 6 months.

APHIS Employee Found Smuggling Birds

An APHIS Veterinary Services employee in Los Angeles is awaiting sentencing after she pled guilty to charges of smuggling and accepting gratuities.



This hen Gang-Gang cockatoo is one of 12 birds smuggled from Australia to New Zealand and then imported illegally into the United States. Gang-Gang cockatoos are native only to Australia, and are worth about $20,000 per pair on the U.S market. Photo courtesy of U.S. Fish and Wildlife Service.

The investigation, which was conducted jointly with the U.S. Fish & Wildlife Service, disclosed that the employee used her position as operator of the APHIS Pet Bird Quarantine in Los Angeles to facilitate an exotic bird smuggling operation between New Zealand and the United States. The smuggling runs included transporting Psittacine bird eggs valued at over $100,000 in the United States and on the New Zealand black market. Over $120,000 worth of exotic birds came through the Pet Bird Quarantine, some of which were smuggled from Australia into New Zealand and then into the United States. Birds were brought into the country with false documents and false (nominee) names. Many of the document packages were destroyed or hidden by the APHIS employee.

Food Inspector Guilty of Stealing From the Plant He Was Inspecting

In Minnesota, an FSIS food inspector who worked for the agency for over 30 years pled guilty in Federal court to theft. The inspector admitted he stole expensive cuts of meat from plants where he was the inspector and then sold them to local bars and restaurants. He was known by local plant owners as "Pockets" because he had often been observed putting as much as 50 pounds of meat into the pockets of his freezer coat. The inspector, who retired, is awaiting sentence.

FmHA County Supervisor and Spouse Charged in Housing Scam

A Texas FmHA county supervisor pled guilty in Federal court to charges of conspiracy, misapplication of FmHA loan funds, making false entries in FmHA records, and stealing FmHA loan proceeds. The county supervisor's wife pled guilty at the same time to misprision of a felony for her criminal participation with her husband. The pair had been indicted for defrauding FmHA and borrowers in the Rural Housing Loan Program of more than $500,000.

The scheme involved the fraudulent purchase and resale of homes mortgaged to FmHA. The county supervisor approached delinquent FmHA borrowers facing foreclosure and arranged for their homes to be resold and refinanced by FmHA to other family members while allowing the original borrowers to continue to occupy the homes. He then recruited "straw" purchasers and arranged and facilitated the purchase of these homes for the amounts due to FmHA or taxing authorities. After appraising the homes and approving FmHA financing, he resold the homes to family members of the original owners for more than twice the original value of the homes. He then arranged for the proceeds from the resales to be deposited into several bank accounts he controlled.

In another scheme, this same county supervisor approached FmHA homeowners whose homes needed repairs or remodeling and arranged for them to obtain FmHA loans. He then obtained checks from the borrowers' supervised bank accounts to pay the contractors he selected to perform the repairs. He made false statements to FmHA that repairs were made by fictitious contractors or inflated the cost of repairs made by real contractors. The proceeds obtained from these resale and repair schemes were used in the purchase of additional FmHA-mortgaged properties.

In addition to pleading guilty to these schemes, the county supervisor was also charged with impersonating a U.S. marshall by displaying a badge in order to evict a resident of an FmHA-mortgaged home. He resigned during the course of the investigation. Sentencing is pending.

Former Commodity Grader Sentenced in Disability Claim Fraud

A former AMS employee was sentenced to 8 months in prison and ordered to pay over $45,000 in restitution after he pled guilty to providing false statements in order to receive disability benefits from the workers' compensation program. The former employee had been receiving disability benefits because of an alleged allergic condition to pollen and dust which he claimed to have acquired while working as a grain inspector and fruit and vegetable grader with AMS. He further claimed that he earned less than $8,000 since his disability and that he lived in San Luis Obispo, California, an area which was supposedly better for his allergies. Our investigation disclosed that he earned in excess of $200,000 since his disability, that he did not reside in San Luis Obispo, and that he worked around pollen and dust as a successful beekeeper throughout southern California.

ASCS County Director Steals Government Funds

A director of a Texas ASCS county office pled guilty in Federal court to stealing over $5,300 in Government funds. He created, forged, and negotiated salary and travel expense checks payable to ASCS county committeemen for attending committee meetings they had not attended. Also, he forged and negotiated eight CCC checks payable to producers and four utility rebate checks payable to ASCS. He has been suspended without pay by ASCS. Sentencing is pending.

Statistical Data

Audits Without Management Decision

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

Agency	Date Issued	Title of Report	Total Dollar Value at Issuance	Amount With No. Mgmt. Decision
Audits Pending Agency Action				
ASCS	9/30/91	1. Control of Payment Limitation for 1989 Feed Grain, Rice, Upland Cotton and Wheat Programs (03600-15-Te)*	$0	$0
	11/21/91	2. 1989 Cucumber Disaster Assistance Payments in Texas (03099-150-Te)*	$1,253,796	$144,885
	9/16/92	3. Alaska State Program Operations (03097-4-SF)	$1,609,704	$1,609,704
FCIC	3/13/91	4. Insurance Contracts With Large Indemnity Payments Adjusted by Crop Hail Management (05600-3-Te)*	$122,588	$105,667
	3/16/92	5. 1989 Dry Bean Contract No. RH-38-116-151329 for Walsh County, ND (05099-107-KC)*	$155,371	$155,371
	3/31/92	6. Audit of Large Claims in Florida (05099-20-At)*	$1,034,814	$859,857
	3/31/92	7. 1989 Corn and Soybean Contract No. 24-884-48846-89 for Vernon County, Missouri Crop Hail Management (05099-105-KC)*	$290,170	$290,170

Agency	Date Issued	Title of Report	Total Dollar Value at Issuance	Amount With No. Mgmt. Decision
	7/16/92	8. Soybean Losses in Three Arkansas Counties for 1988 and 1989 (05099-55-Te)	$110,312	$110,312
FmHA	2/06/92	9. Controls and Security Over Remote Transaction Processing (04600-4-FM)*	$0	$0
	9/27/91	10. Debt Restructuring of Farmer Program Guaranteed Loans (04600-2-Te)*	$87,825	$0
	7/16/92	11. Accrued Interest on Guaranteed Loan Repurchases (04099-173-Te)	$1,488,056	$417,873
	6/17/92	12. Rural Rental Housing Program Servicing of HUD Section 8/515 Projects in Nebraska (04099-124-KC)	$1,559,398	$1,369,923
	3/31/92	13. Subsequent Farmer Program Loans to Net Recovery Buyout (04600-11-Te)	$1,550,720	$1,550,720
	9/30/92	14. FmHA Consolidated Financial Statement for Fiscal Years 1991 and 1990 (04600-11-FM)	$0	$0
RDA	12/20/90	15. Nonprofit National Corpora-tions Loan and Grant Program (04600-6-Te)*	$2,870,668	$502,600

Agency	Date Issued	Title of Report	Total Dollar Value at Issuance	Amount With No. Mgmt. Decision
	3/28/90	16. Texas State Office Business and Industrial Loan Program (04002-1-Te)*	$4,899,161	$1,574,586
	5/10/89	17. Business and Industrial Loan to Gulf Coast Wood Products (04099-149-Te)*	$4,350,000	$4,350,000
	4/23/92	18. Long Brothers Upper Mud River Contract Claims (10545-33-Hy)	$1,058,839	$1,058,839

*Reported in last Semiannual Report

Audits Without Management Decision - Narrative

1. **Control of Payment Limitation for 1989 Feed Grain, Rice, Upland Cotton, and Wheat Programs, Issued September 30, 1991**

We continue to have concerns with producers maximizing the receipt of payments from ASCS through the formation of "shell" or "paper" entities. ASCS initially agreed with our recommendations to strengthen control over these types of entities but subsequently reversed its position because of concern that the rule revisions we recommended would be contrary to the intent of Congress. We recently provided a memorandum to various Congressional members and committees explaining our concerns on this matter.

2. **1989 Cucumber Disaster Assistance Payments in Texas, Issued November 21, 1991**

We questioned the assignment of zero yields to farms with unharvested production rather than basing the yields on reported production from similar farms. In response to this finding, ASCS applied a "90-day rule" which forgives certain ASCS payments made in error if the error is not caught within 90 days. Since most of the overpayments involved county committee members and their family members, we are questioning the application of the 90-day rule.

3. **Alaska State Program Operations, Issued September 16, 1992**

We questioned a number of decisions made by State and county officials who had misinterpreted applicable regulations for the 1988-1989 Disaster Program, 1990 Livestock Feed Program, and 1986-1991 Conservation Reserve Program. These decisions resulted in producer overpayments totaling about $1.6 million. We are awaiting a response from ASCS concerning our recommendations to correct the errors and pursue collection of the overpayments.

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

We questioned insurance payments to four entities because the adjusters did not properly adjust the claim or the insured failed to report his or her crop sale. Management decision has been obtained for three cases, and the fourth is being investigated by OIG.

5. **1989 Dry Bean Contract No. RH-38-116-151329 for Walsh County, North Dakota, Issued March 16, 1992**

FCIC officials are working with the reinsurance company to determine if this producer followed good farming practices. The audit found that the producer was granted a claim even though in our opinion good farming practices were not followed.

6. **Audit of Large Claims in Florida, Issued March 31, 1992**

We took exception to insurance payments to one Florida tomato producer because the reinsurance company insured tomatoes on ineligible acreage and the producer failed to report the planting, production, and sale of tomatoes produced on an uninsured field. We also took exception to the commissions paid the reinsurance company for insuring the ineligible acreage. FCIC sustained the audit findings, and OIG is investigating this case. Management decision is pending the results of this investigation.

7. **1989 Corn and Soybean Contract No. 24-884-48846-89 for Vernon County, Missouri, Crop Hail Management, Issued March 31, 1992**

We questioned two claimed losses because of a discrepancy in the election of an effective price and a questionable appeal process. FCIC has elected to delay action on the 1989 contract pending the exhaustion of producer appeal rights related to a reported violation of the Wetland Conservation for the 1990 crop-year (Audit Report No. 03099-170-KC). Regarding the 1988 crop insurance contract, FCIC has reopened the case and is in the process of scheduling a final hearing.

Management decision is pending for the 1989 contract until ASCS has determined if the producer is in compliance with the Wetland Conservation provisions, and the 1988 contract until FCIC determines the propriety of the prior appeal determination. Management decision, in both instances, is also contingent upon insureds' being notified of any overpayments and claims established.

8. **Soybean Losses in Three Arkansas Counties for 1988 and 1989, Issued July 16, 1992**

We questioned the 1988, 1989, and possibly 1990 claims for these three producers because they incorrectly reported crop production. Soybean production was harvested from insured acres and sold under the names of an employee and a friend. This matter is currently being investigated by OIG. Management decision for this audit is pending the completion of this investigation.

9. **Controls and Security Over Remote Transaction Processing, Issued February 6, 1992**

Our audit showed that FmHA needed to document access rules for the computer system access control software ACF2 to identify the purpose of each computer program and to justify who has access to each program and why. FmHA's independent analysis of the ACF2 environment was completed in late March 1993, as planned. FmHA will use the results to respond within 30-60 days to the outstanding recommendation. We are awaiting the FmHA response.

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

Our audit disclosed that FmHA guidance was needed on how to compute the net recovery value of assets. FmHA prepared guidance that did not consider amounts that could be obtained through the liquidation of all assets, if greater than the assets pledged as security for the loan. In our opinion, such a consideration is required by the Agricultural Credit Act of 1987. FmHA's position is based upon a recent OGC opinion which holds otherwise. We are working with FmHA and OGC on this matter.

11. **Accrued Interest on Guaranteed Loan Repurchases, Issued July 16, 1992**

The audit disclosed 80 note holders who had been overpaid more than $355,000 in excessive interest because FmHA continued to permit interest accrual indefinitely. In response to our recommendation, FmHA identified another 33 holders who had been overpaid about $62,000. Due to the extensive nature of the corrective action, management decision has not yet been achieved, although it is progressing satisfactorily.

12. **Rural Rental Housing Program Servicing of HUD Section 8/515 Projects in Nebraska, Issued June 17, 1992**

The audit recommended that FmHA require the cited projects to apply excess cash to the loan obligation and fully document planned use of funds retained in project accounts. In addition, we recommended that all projects not reviewed during the audit be examined by the agency. Extensive analysis of multiple projects is needed and is underway.

13. **Subsequent Farmer Program Loans to Net Recovery Buyout, Issued March 31, 1992**

The audit recommended that FmHA reestablish debts that were improperly written off and collect loans that were made to borrowers who did not qualify. In order to achieve management decision, the agency needs to identify specific actions taken on each case, provide a copy of the bill for collecting amounts owed to the Government, and support that amounts have been established as a receivable on FmHA's accounting records. These cases are complex and corrective action is in process.

14. **FmHA Consolidated Financial Statements for FYs 1991 and 1990, Issued September 30, 1992**

FmHA has not taken sufficient corrective action to ensure field office personnel are adequately trained in loan classification processees. Also, FmHA needs to obtain proper support and justification for the percentages used in calculating the allowance for loss on loans. We are currently working with the agency to resolve these issues.

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

Our audit recommended that Rural Development Administration (RDA) officials review the technical assistance claims and questionable loans from two national nonprofit corporations and recover the funds determined to be ineligible. RDA officials agreed to implement the recommendations and have adequately accounted for all unauthorized assistance except for one case. Corrective action is in process.

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

We recommended that RDA officials assess 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 RDA may enforce the loan guarantees and recover losses covered by the guarantees. RDA has agreed with the recommendations, and its review is underway. Extensive case file analysis is involved in this process.

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

Our audit recommended that RDA, upon receipt of the lender's loss claim, refer to OGC the lender's violations of its agreement and ask OGC to determine the extent to which RDA may enforce the loan guarantee. The lender has failed, and the Federal Deposit Insurance Corporation has taken over the matter. RDA is working with OGC on this issue.

18. Long Brothers - Upper Mud River Contract Claim, Issued April 23, 1992

Management decision is pending negotiation of costs claimed for road work. Also, the contracting officer has requested OIG to review additional indirect costs claimed by the contractor.

Indictments and Convictions

Between October 1, 1992, and March 31, 1993, OIG completed 582 investigations. We referred 414 cases to Federal, State, and local prosecutors for their decision.

During the reporting period, our investigations led to 365 indictments and 511 convictions.* Fines, recoveries/collections, and restitutions resulting from our investigations totaled about $17.8 million. Costs of about $3.1 million were avoided.

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

Indictments and Convictions
October 1, 1992 - March 31, 1993

Agency	Indictments	Convictions**
AMS	0	1
APHIS	7	9
ASCS	21	25
ES	1	1
FAS	0	2
FCIC	6	9
FGIS	1	0
FmHA	40	38
FNS	275	416
FS	4	3
FSIS	7	4
SCS	1	1
Other	2	2
Totals	365	511

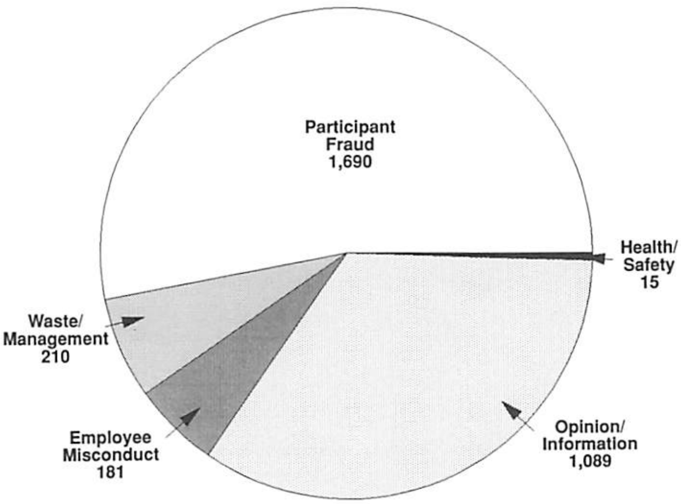
* The period of time to obtain court action on an indictment varies widely; therefore, the 511 convictions do not necessarily relate to the 365 indictments.
** This category includes pretrial diversions.

The OIG Hotline

The OIG Hotline serves as a national receiving point for reports from both employees and the general public of suspected incidents of fraud, waste, mismanagement and abuse in USDA programs and operations. During this reporting period, the OIG Hotline received 3,185 calls and letters. These contacts included allegations of participant fraud, employee misconduct and mismanagement, as well as opinions about USDA programs. Figure 7 displays the volume of the various calls and letters we received.

Figure 7

Hotline Complaints–October 1, 1992 to March 31, 1993

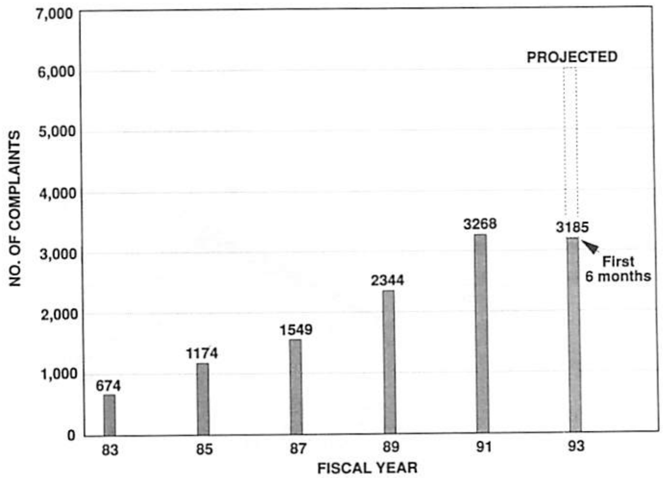


During this reporting period, we were also given the responsibility for receiving the public's ideas on how to improve Government operations. This new mandate came as part of the Administration's efforts on "reinventing Government." As part of this initiative, the OIG Hotline toll-free telephone number, as well as those of other Federal OIG hotlines, was published in newspapers across the country. We received almost 1,000 calls relating to this initiative.

The number of contacts to the OIG Hotline has dramatically increased over the years from 674 in FY 1983 to 3,940 in FY 1992. Including the calls from the "reinventing Government" initiative, we project that our Hotline will receive approximately 6,000 contacts during FY 1993. The growth in Hotline activity is shown in Figure 8.

Figure 8

Growth of Hotline Complaints Received from FY 83 to FY 93

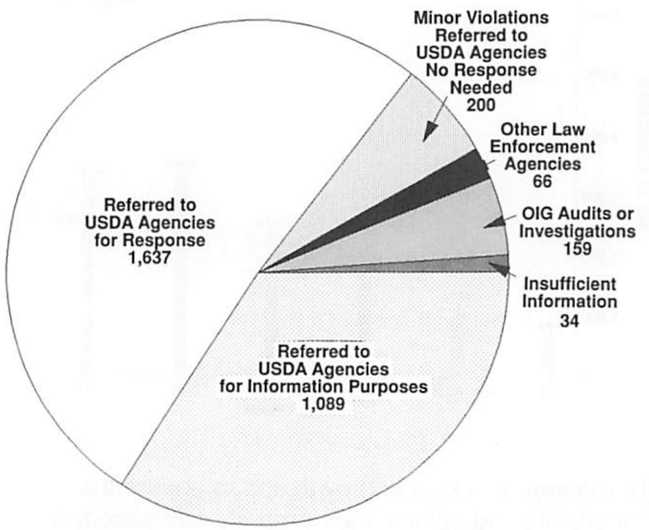


To manage this steady growth and to ensure that complaints and opinions are properly addressed, we have increased our Hotline staff during the past several years. In addition, we have made increasing use of technology to more efficiently route telephone callers and to automate our system for tracking complaints. We have also instituted more systematic follow-up procedures with USDA agencies to ensure that complaints are addressed.

One particular concern of ours relating to the Hotline is the need to refer complaints to agency managers for inquiry rather than conducting OIG audits or investigations of all complaints. The majority of Hotline complaints are referred to the USDA agency that administers the program or operation that is the subject of the complaint. We make these referrals because OIG does not have the resources to audit or investigate every complaint received by the Hotline. We are only able to conduct audits and investigations of the most serious allegations we receive over the Hotline and where an OIG inquiry is the only appropriate way to independently address the allegation. As shown in Figure 9, of the 3,185 complaints and opinions received during this reporting period, most were referred for action or information to the responsible USDA agency. OIG initiated only 159 audits or investigations based upon Hotline complaints.

Figure 9

Disposition of Complaints (FY 1993-First Half)



To deal with the high volume of complaints we receive and the resulting need to refer most of them to other agencies, we have assigned a senior criminal investigator to review each complaint when it is received to determine the kind of inquiry that will be made. For those complaints we refer to another USDA agency for its inquiry, we instruct the agency, at a level above the suspect employee or office, of the issues we want resolved and ask for a written report of the inquiry. When we receive the agency's report, we review it to determine if a suitable inquiry was made and documented, and ensure that the agency took appropriate criminal, civil or administrative action to resolve any findings.

We have found that this system allows the best use to be made of OIG's current audit and investigative resources.

Freedom of Information Act Activities

During this period, OIG processed 280 requests under the Freedom of Information Act. Details follow:

Number of Requests Received:	283
Number of Requests Processed:	
Number of Favorable Responses	153
Number of Unfavorable Responses	127
Total	280
Unfavorable Responses Due to:	
No Records Available	30
Requests Denied in Full	31
Requests Denied in Part	66
Total	127

Other Data Not Affected Directly by the Requests:	
Appeals Granted	0
Appeals Denied in Full	8
Appeals Denied in Part	0
Number of OIG Reports/Documents Released in Response to Requests	482

NOTE: A request may involve more than one report.

Appendix I

INVENTORY OF AUDIT REPORTS ISSUED WITH QUESTIONED COSTS AND LOANS

	NUMBER	DOLLAR VALUES: QUESTIONED COSTS AND LOANS	DOLLAR VALUES: UNSUPPORTED[a] COSTS AND LOANS
A. FOR WHICH NO MANAGEMENT DECISION HAD BEEN MADE BY OCTOBER 1, 1992	56	$32,109,971	$6,202,174
B. WHICH WERE ISSUED DURING THIS REPORTING PERIOD	63	88,255,061	5,423,384
TOTALS	119	$120,365,032	$11,625,558
C. FOR WHICH A MANAGEMENT DECISION WAS MADE DURING THIS REPORTING PERIOD	61		
(1) DOLLAR VALUE OF DISALLOWED COSTS			
RECOMMENDED FOR RECOVERY		$10,082,978	$1,336,973
NOT RECOMMENDED FOR RECOVERY		$25,236,764	$1,113,068
(2) DOLLAR VALUE OF COSTS NOT DISALLOWED		2,836,940	1,211,105
D. FOR WHICH NO MANAGEMENT DECISION HAS BEEN MADE BY THE END OF THIS REPORTING PERIOD	58	82,374,187	7,983,009
REPORTS FOR WHICH NO MANAGEMENT DECISION WAS MADE WITHIN 6 MONTHS OF ISSUANCE	16	16,607,887	2,820,675

[a]Unsupported values are included in questioned values.

Appendix II

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

	NUMBER	DOLLAR VALUE
A. FOR WHICH NO MANAGEMENT DECISION HAD BEEN MADE BY OCTOBER 1, 1992	22	$33,801,774
B. WHICH WERE ISSUED DURING THE REPORTING PERIOD	19	159,255,348
TOTALS	41	$193,057,122
C. FOR WHICH A MANAGEMENT DECISION WAS MADE DURING THE REPORTING PERIOD	21	
(1) DOLLAR VALUE OF DISALLOWED COSTS		$144,077,606
(2) DOLLAR VALUE OF COSTS NOT DISALLOWED		2,893,770
D. FOR WHICH NO MANAGEMENT DECISION HAS BEEN MADE BY THE END OF THE REPORTING PERIOD	20	46,214,664
REPORTS FOR WHICH NO MANAGEMENT DECISION WAS MADE WITHIN SIX MONTHS OF ISSUANCE	8	26,230,793

Appendix III

SUMMARY OF AUDIT REPORTS RELEASED
BETWEEN OCTOBER 1, 1992 AND MARCH 31, 1993

DURING THE 6-MONTH PERIOD BETWEEN OCTOBER 1, 1992 AND MARCH 31, 1993, THE OFFICE OF INSPECTOR GENERAL ISSUED 154 AUDIT REPORTS, INCLUDING 21 PERFORMED BY OTHERS.

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 RESEARCH SERVICE	4			$66,356
AG. STAB. & CONS. SERVICE	8	$11,365,700	$708,363	$600
FARMERS HOME ADMINISTRATION	31	$18,378,670	$389,103	$3,501,491
FEDERAL CROP INSURANCE CORP	5	$245,680		
FOREIGN AGRICULTURAL SERVICE	1			
FOREST SERVICE	7	$33,782,025	$4,000,000	$3,018,440
RURAL ELECTRIFICATION ADMIN.	3			
SOIL CONSERVATION SERVICE	6	$240,578	$52,739	$934,134
OFF. FINANCE AND MANAGEMENT	1			
COOP STATE RESEARCH SERVICE	4			$2,090,493
OFFICE OF OPERATIONS	2			
FOOD AND NUTRITION SERVICE	13	$3,235,849	$104,676	$260,300
RURAL DEVELOPMENT ADMIN.	1	$813,484		
ANIMAL & PLANT HEALTH INSP.	2	$1,836,786		
MULTI-AGENCY	64	$18,356,289	$168,503	$149,383,534
OFF. INFO. RESOURCES MANAGEMT	2			
TOTALS	154	$88,255,061	$5,423,384	$159,255,348

TOTAL COMPLETED:	
SINGLE AGENCY AUDIT	90
MULTIAGENCY	64
TOTAL RELEASED NATIONWIDE	154
TOTAL COMPLETED UNDER CONTRACT[b]	21
TOTAL SINGLE AUDIT ISSUED[c]	59

[a]Unsupported values are included in questioned values
[b]Indicates audits performed by others
[c]Indicates audits completed as Single Audit

AUDIT REPORTS RELEASED AND ASSOCIATED MONETARY VALUES BETWEEN OCTOBER 1, 1992, AND MARCH 31, 1993

AUDIT NUMBER RELEASE DATE	TITLE		QUESTIONED COSTS AND LOANS	UNSUPPORTED COSTS AND LOANS	FUNDS BE PUT TO BETTER USE
AGENCY - AGRICULTURAL RESEARCH SERVICE					
02-099-0001-AT 92/12/15	EVALUATION OF AGENCY INTERNAL CONTROLS OVER RESEARCH				
02-545-0007-HY 92/10/28	BENDIX FLD ENGIN CORP,COLUMBIA,MD INCURRED CO ST FY 84-86				
02-545-0056-HY 93/02/04	PREAWARD AUDIT - COUNTER TECHNOLOGY, INC.				$66,356
02-545-0057-HY 93/02/17	BENDIX FIELD ENGINEERING CORPORATION INCURRED COST AUDIT				
	TOTAL: AGRICULTURAL RESEARCH SERVICE	4			$66,356
AGENCY - AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE					
03-001-0081-KC 92/10/19	1991 COUNTY OFFICE OPERATIONS MISSOURI		$24,572		
03-001-0082-KC 92/10/21	1991 COUNTY OFFICE OPERATIONS NEBRASKA		$682,926	$658,363	$600
03-001-0083-KC 92/10/21	1991 COUNTY OFFICE OPERATIONS - COLORADO		$91,755	$50,000	
03-001-0084-KC 92/12/15	1991 COUNTY OFFICE OPERATIONS, SOUTH DAKOTA		$32,576		
03-091-0339-FM 92/12/22	UPLAND COTTON USER MARKETING CERTIFICATE PROGRAM		$6,400,000		
03-099-0159-TE 93/01/07	1991 LIVESTOCK EMERGENCY FEED PROGRAM		$449,358		
03-545-0008-AT 92/10/02	GFA PEANUT ASSOCIATION, CAMILLA, GA, CROP-YEAR 1989				
03-600-0026-TE 93/03/26	1990 SUGARCANE DISASTER PROGRAM		$3,684,513		
	TOTAL: AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE	8	$11,365,700	$708,363	$600
AGENCY - FARMERS HOME ADMINISTRATION					
04-097-0003-KC 93/03/31	DEBT RESTRUCTURING, WINNEBAGO COUNTY, IOWA				
04-099-0085-HY 92/12/02	RRH LOAN - WEST BRANCH APARTMENTS		$405,422		
04-099-0092-SF 92/10/07	B&I LOAN PROGRAM - LOAN SERVICING - COLORADO STATE OFFICE, LAKEWOOD, CO				
04-099-0101-CH 92/10/07	RRH SERVICING OF HUD SECTION 8/515 PROJECTS IN MICHIGAN		$330,733		$514,389
04-099-0103-CH 92/11/19	SERVICING OF B&I LOAN TO KLM FOODS, INC. - WISCONSIN		$97,044		
04-099-0104-CH 92/12/23	RURAL RENTAL HOUSING PROGRAM OPERATIONS AT DOMINIUM MANAGEMENT SERVICE, INC., MN		$24,275	$7,434	
04-099-0105-CH 92/11/18	SERVICING OF B&I LOAN TO LAROCQUE/RENNER - WISCONSIN		$37,529		
04-099-0108-CH 93/03/26	RRH OPERATIONS IN ILLINOIS		$31,097	$2,334	$317,315

AUDIT REPORTS RELEASED AND ASSOCIATED MONETARY VALUES
BETWEEN OCTOBER 1, 1992, AND MARCH 31, 1993

AUDIT NUMBER RELEASE DATE	TITLE	QUESTIONED COSTS AND LOANS	UNSUPPORTED COSTS AND LOANS	FUNDS BE PUT TO BETTER USE
04-099-0122-KC 92/10/16	INDIAN TRIBAL LAND ACQUISITION PROGRAM LOAN APPROVAL AND SERVICING	$9,688,473	$58,473	
04-099-0130-KC 93/02/18	RURAL RENTAL HOUSING PROGRAM SERVICING OF HUD SECTION 8/515 PROGRAM IN CA	$690,650		$748,727
04-099-0184-TE 93/03/31	FARM OWNERSHIP LOANS FOR THE SOCIALLY DISADVANTAGED			
04-099-0186-TE 92/11/10	RURAL RENTAL HOUSING SERVICING OF HUD SECTION 8/515 PROJECTS	$196,419	$196,419	$838,988
04-099-0187-TE 92/11/03	RRH COST CERTIFICATION FOR A LOUISIANA BORROWER WITH AN IDENTITY OF INTEREST	$87,617		
04-099-0189-TE 93/03/04	RURAL RENTAL HOUSING - WELLS PROPERTY MANAGEMENT CO.			$840,017
04-099-0195-TE 92/12/09	RRH COST CERTIFICATION FOR A LOUISIANA BORROWER WITH AN IDENTITY OF INTEREST	$17,658	$17,658	
04-099-0323-AT 92/11/04	RURAL RENTAL HOUSING SERVICING OF HUD SECTION 8/515 PROJECTS IN ALABAMA	$357,300		$242,055
04-099-0329-AT 92/10/06	LOAN SERVICING AND APPRAISALS FOR FARM PROGRAM LOANS - ATHENS. GA			
04-099-0332-AT 93/03/02	FMHA REQUEST - INDIANTOWN NONPROFIT HOUSING, INC.	$8,662		
04-545-0001-KC 93/01/05	INDIRECT COST PROPOSAL SUBMITTED BY PRAIRIE PUBLIC BROADCASTING, FARGO, ND			
04-600-0028-CH 93/03/31	RURAL RENTAL HOUSING CONSTRUCTION CONTRACTORS	$439,070	$106,785	
04-676-0001-AT 92/10/29	SERVICING OF GUARANTEED LOANS IN THE B&I LOAN PROGRAM			
04-676-0002-AT 92/10/29	SERVICING OF GUARANTEED LOANS IN THE B&I PROGRAM, YORK PRINT WORKS			
04-676-0002-SF 92/11/19	B&I LOAN PROGRAM - LOAN SERVICING - GOODYEAR HOTEL PARTNERS, GOODYEAR, AZ			
04-676-0003-AT 92/10/29	SERVICING OF GUARANTEED LOANS IN THE B&I PROGRAM, DURAWOOL	$708,944		
04-676-0003-HY 93/03/30	JORDANO AND SIEGEL B&I LOAN	$2,824,736		
04-676-0003-SF 92/12/09	B&I LOAN PROGRAM - LOAN SERVICING - K-BOB'S ARIZONA, INC., PRESCOTT, AZ	$416,301		
04-676-0004-AT 92/10/29	SERVICING OF GUARANTEED LOANS IN THE B&I PROGRAM, LOW COUNTRY	$96,960		
04-676-0004-HY 93/03/31	B&I LOAN SERVICING - NEW YORK STATE			
04-676-0004-SF 93/01/04	B&I LOAN PROGRAM - LOAN SERVICING - NAUTICAL INN RESORT, LAKE HAVASU, AZ	$1,919,780		
04-676-0005-SF 92/12/08	B&I LOAN PROGRAM - LOAN SERVICING - ARIZONA STATE OFFICE, PHOENIX, AZ			
04-676-0006-SF 92/12/23	B&I LOAN SERVICING - CALIFORNIA STATE OFFICE AND BAKAP INVESTMENT			
TOTAL: FARMERS HOME ADMINISTRATION	31	$18,378,670	$389,103	$3,501,491

AUDIT REPORTS RELEASED AND ASSOCIATED MONETARY VALUES BETWEEN OCTOBER 1, 1992, AND MARCH 31, 1993

AUDIT NUMBER RELEASE DATE	TITLE		QUESTIONED COSTS AND LOANS	UNSUPPORTED COSTS AND LOANS	FUNDS BE PUT TO BETTER USE
AGENCY - FEDERAL CROP INSURANCE CORPORATION					
05-099-0054-TE 92/12/22	UNIT DETERMINATIONS		$1,359		
05-099-0056-TE 93/03/31	NONSTANDARD UNDERWRITING CLASSIFICATION SYSTEM - ARKANSAS		$214,148		
05-099-0058-TE 93/03/29	1990 SUGARCANE CROP INSURANCE CLAIM IN ST. MARTIN PARISH, LOUISIANA		$30,173		
05-600-0005-HQ 93/03/29	FY '92 FCIC FINANCIAL STATEMENTS				
05-600-0006-HQ 93/03/29	FY '92 FCIC FINANCIAL STATEMENTS MANAGEMENT ISSUES				
	TOTAL: FEDERAL CROP INSURANCE CORPORATION	5	$245,680		
AGENCY - FOREIGN AGRICULTURAL SERVICE					
07-099-0029-HY 93/03/31	EXPANDED GSM PRICING REVIEW				
	TOTAL: FOREIGN AGRICULTURAL SERVICE	1			
AGENCY - FOREST SERVICE					
08-097-0002-AT 92/10/27	HISTORIC AIRCRAFT EXCHANGE PROGRAM		$33,000,000	$4,000,000	$2,260,665
08-099-0039-AT 93/01/29	CONTROLS OVER TIMBER SALE ADMINISTRATION REGION 8				
08-099-0041-AT 92/12/23	MANAGEMENT REPORT FOR THE FY 1991 FINANCIAL STATEMENTS - FS				
08-545-0061-SF 93/03/15	POSTAWARD AUDIT - EVERGREEN HELICOPTERS, INC., MCMINNVILLE, OR				$757,775
08-601-0002-SF 92/10/23	SPECIAL USE PERMITS FOR LRG RESORTS - HEAVENLY CONCESSION		$23,304		
08-601-0003-SF 93/02/26	SPECIAL USE PERMITS FOR LARGE RESORTS ZEPHYR COVE CONCESSION		$216,719		
08-601-0004-SF 93/01/07	SPECIAL USE PERMITS LARGE RESORTS, KEYSTONE CONCESSION		$542,002		
	TOTAL: FOREST SERVICE	7	$33,782,025	$4,000,000	$3,018,440
AGENCY - RURAL ELECTRIFICATION ADMINISTRATION					
09-099-0009-TE 93/02/22	ELECTRIC DISTRIBUTION COOPERATIVES' FINANCIAL INVESTMENTS IN RURAL AREAS				
09-600-0006-HQ 93/03/31	FY '92 REA FINANCIAL STATEMENTS AUDITOR'S REPORT				
09-600-0008-HQ 93/03/31	FY '92 REA/RTB FINANCIAL STATEMENTS MANAGEMENT ISSUES				
	TOTAL: RURAL ELECTRIFICATION ADMINISTRATION	3			

AUDIT REPORTS RELEASED AND ASSOCIATED MONETARY VALUES
BETWEEN OCTOBER 1, 1992, AND MARCH 31, 1993

AUDIT NUMBER RELEASE DATE	TITLE		QUESTIONED COSTS AND LOANS	UNSUPPORTED COSTS AND LOANS	FUNDS BE PUT TO BETTER USE
AGENCY - SOIL CONSERVATION SERVICE					
10-545-0017-KC 92/10/29	COST PROPOSAL SUBMITTED BY LUNA CONSTRUCTION CO., INC.				$334,341
10-545-0018-KC 92/10/02	COST PRICE DATA SUBMITTED BY IDIKER, INC.				
10-545-0029-SF 93/03/16	PRICE PROPOSAL REVIEW - METEOR COMMUNICATIONS CORPORATION, KENT, WASHINGTON				$112,870
10-545-0034-HY 93/01/08	CHARLES J. MERLO, INC. - INCURRED COST AUDIT		$52,739	$52,739	
10-545-0035-HY 92/10/30	SCIABA CONSTRUCTION - INCURRED COST AUDIT				$486,923
10-545-0037-HY 93/01/22	R.L. BATES EQUITABLE ADJUSTMENT CLAIM		$187,839		
	TOTAL: SOIL CONSERVATION SERVICE	6	$240,578	$52,739	$934,134
AGENCY - OFFICE OF FINANCE AND MANAGEMENT					
11-600-0001-FM 93/03/31	FISCAL YEAR 1992 NFC GENERAL CONTROLS REVIEW				
	TOTAL: OFFICE OF FINANCE AND MANAGEMENT	1			
AGENCY - COOPERATIVE STATE RESEARCH SERVICE					
13-545-0001-HY 92/10/01	PENN STATE UNIVERSITY DCAA-CONTRACT AUDIT				$1,001,972
13-545-0001-SF 92/10/29	DIRECT COSTS & INDIRECT COST RATES - FOSTER - MILLER, INC., WALTHAM, MA - 8/1/88 - 7/31/89				
13-545-0002-HY 92/11/13	CSRS FY '91 PENN STATE UNIVERSITY - DCAA				$1,088,521
13-545-0002-SF 92/11/27	DIRECT COSTS AND INDIRECT COST RATES - FOSTER - MILLER, INC., WALTHAM, MA				
	TOTAL: COOPERATIVE STATE RESEARCH SERVICE	4			$2,090,493
AGENCY - OFFICE OF OPERATIONS					
23-099-0004-HY 92/11/06	CONTROLS AND ACCOUNTABILITY OVER OFFICE SUPPLIES				
23-545-0014-HY 93/03/12	BOOZ, ALLEN & HAMILTON, INC., - INCURRED AUD.				
	TOTAL: OFFICE OF OPERATIONS	2			

AUDIT REPORTS RELEASED AND ASSOCIATED MONETARY VALUES
BETWEEN OCTOBER 1, 1992, AND MARCH 31, 1993

AUDIT NUMBER RELEASE DATE	TITLE		QUESTIONED COSTS AND LOANS	UNSUPPORTED COSTS AND LOANS	FUNDS BE PUT TO BETTER USE
AGENCY - FOOD AND NUTRITION SERVICE					
27-012-0001-KC 92/11/17	CLAIMS ACTIVITY - FOOD STAMP PROGRAM		$805		
27-022-0001-AT 93/03/05	CNP - SAE FUNDS, AL		$271,007	$85,787	
27-022-0002-AT 93/03/05	CNP - SAE FUNDS - GA				
27-022-0042-SF 93/03/12	CHILD NUTRITION PROGRAMS - FOOD SERVICE OPERATIONS, PUB SCHOOL SYSTEM, CNMI				
27-022-0047-HY 92/12/23	PUERTO RICO DEPARTMENT OF EDUCATION NATIONAL SCHOOL LUNCH PROGRAM		$1,523,153		
27-022-0049-HY 92/11/23	VIRGIN ISLAND NSLP		$1,310,956		$83,179
27-029-0511-HY 92/12/21	FNS-CACFP-BOYS HARBOR-FNS FUND		$111,039		
27-031-0025-AT 93/01/21	WIC ADMINISTRATIVE COSTS IN SC				
27-031-0027-HY 92/12/07	ADMINISTRATION/MANAGEMENT WIC PROGRAM IN VERMONT				
27-070-0003-HY 93/03/23	MANAGEMENT LETTER FOR FY 1991 FNS FINANCIAL STATEMENT				
27-099-0054-AT 93/03/19	MS DEPT. OF EDUCATION - CHILD AND ADULT CARE FOOD PROGRAM		$18,889	$18,889	
27-545-0076-HY 92/10/01	MATHEMATICA POLICY RESEARCH, INC. - FINAL INDIRECT EXPENSE RATES 1989				
27-545-0077-HY 93/02/17	GREGORY K. WASHINGTON, CPA - POSTAWRD AUDIT				$177,121
	TOTAL: FOOD AND NUTRITION SERVICE	13	$3,235,849	$104,676	$260,300
AGENCY - RURAL DEVELOPMENT ADMINISTRATION					
32-092-0001-CH 93/03/22	INDIRECT COST RATE FOR MIDWEST MINNESOTA COMMUNITY DEVELOPMENT CORP.		$813,484		
	TOTAL: RURAL DEVELOPMENT ADMINISTRATION	1	$813,484		
AGENCY - ANIMAL AND PLANT HEALTH INSPECTION SERVICE					
33-001-0002-AT 92/10/21	ASSESSMENT OF USER FEES		$1,836,786		
33-003-0001-SF 93/02/01	CONTROLS OVER PHYTOSANITARY CERTIFICATES - CALIFORNIA				
	TOTAL: ANIMAL AND PLANT HEALTH INSPECTION SERVICE	2	$1,836,786		

AUDIT REPORTS RELEASED AND ASSOCIATED MONETARY VALUES
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AUDIT NUMBER RELEASE DATE	TITLE	QUESTIONED COSTS AND LOANS	UNSUPPORTED COSTS AND LOANS	FUNDS BE PUT TO BETTER USE
AGENCY - MULTI-AGENCY				
50-563-0084-SF 92/10/23	A-133 AUDIT REPORT - NE WASHINGTON RURAL RE- SOURCES DEVELOPMENT ASSOC., FOR FYE 2/28/91	$7,237	$2,169	
50-563-0085-KC 93/03/01	A-133, LINCOLN UNIVERSITY (FY 6/92) JEFFERSON CITY, MO			
50-563-0085-SF 92/10/29	A-110 REPORT ON UC-OFFICE OF THE PRESIDENT FOR THE FYE 6/30/90	$4,851	$4,851	
50-563-0086-SF 92/11/04	A-110 REPORT ON UNIVERSITY OF CALIFORNIA - LOS ANGELES, FYE 6/30/90			
50-563-0200-AT 92/11/06	OMB CIRCULAR A-128, AUDIT OF SC STATE COLLEGE ORANGEBURG, SC, FOR FYE 6/30/91			
50-563-0201-AT 92/11/16	OMB CIRCULAR A-128, CLEMSON UNIVERSITY, CLEMSON, SC., FOR FYE 6/30/91	$4,874		
50-566-0015-TE 93/03/30	OMB CIR A-133 SINGLE AUDIT NM STATE UNIV. FOR YEAR ENDED JUNE 30, 1992			
50-566-0024-SF 93/01/13	A-128 REPORT ON HAWAII DEPT OF AGRICULTURE FOR THE FYE JUNE 30, 1991	$35,125	$35,125	
50-566-0025-SF 93/02/05	A-128 REPORT ON IDAHO DEPARTMENT OF LANDS FYE 6/30/91	$39,568	$39,568	
50-566-0027-AT 93/03/01	OMB A-128, AUDIT OF THE AL FORESTRY COMMISSION FOR TWO FY'S ENDING 9/30/90	$50,975		
50-566-0028-AT 93/03/02	OMB A-128 AUDIT OF AL DEPT. OF AGRICULTURE AND INDUSTRIES			
50-566-0028-KC 92/12/30	A-128 NEBRASKA DEPT. OF AGRICULTURE (YEAR ENDED 6/91), LINCOLN, NEBRASKA			
50-566-0039-HY 93/02/03	PUERTO RICO DEPT OF AGRICULTURE A-128, SFYE 6/30/90			
50-568-0104-HY 92/10/05	STATE OF DELAWARE, A-128, SFYE 6/30/90			
50-568-0105-HY 92/12/23	STATE OF CONNECTICUT, DAS, BUR. OF PURCHASES A-128, SFYE 6/30/88, 89, & 90	$116,669		
50-568-0106-HY 92/10/01	STATE OF MARYLAND, A-128, SFYE 6/30/90			
50-568-0107-HY 93/01/25	STATE OF CONNECTICUT DEPARTMENT OF INCOME A-128, 1988 & 1989			
50-568-0108-HY 93/01/27	GOVERNMENT OF THE VIRGIN ISLANDS, A-128, SFYE 9/30/1986, 1987 & 1988	$68,697	$68,697	
50-568-0109-HY 92/12/23	UNIVERSITY OF PUERTO RICO, A-128, FYE 6/30/88			
50-568-0110-HY 93/01/27	STATE OF VERMONT, A-128, SFE 6/30/90	$68,330		
50-568-0111-HY 93/02/16	STATE OF NEW HAMPSHIRE, A-128, SFYE 6/30/91			
50-568-0180-TE 92/10/07	OMB CIR. A-128 AUDIT OF NM HEALTH & ENVIRON- MENT DPT. FOR THE FY ENDED JUNE 30, 1991			
50-568-0229-AT 92/10/14	A-128 AUDIT OF THE STATE OF TN, FOR THE FYE 6/30/90	$42,613		
50-568-0233-AT 92/11/09	A-128, AUDIT OF THE COMMONWEALTH OF KENTUCKY FOR FISCAL YEAR END 6/30/89	$1,000		
50-568-0235-CH 92/11/09	SINGLE AUDIT OF THE STATE OF OHIO	$115,768		
50-568-0237-AT 92/11/17	OMB CIRCULAR A-128, AUDIT OF SC DEPT. OF HEALTH & ENVIRONMENTAL CONTROL - FYE 6/30/89	$55,023		
50-568-0237-CH 92/10/13	SINGLE AUDIT OF MCLEAN COUNTY, ILLINOIS			
50-568-0238-AT 92/11/16	OMB CIRCULAR A-128, AUDIT OF FORSYTH COUNTY, WINSTON-SALEM, NC, FOR FYE 6/30/91			

AUDIT REPORTS RELEASED AND ASSOCIATED MONETARY VALUES
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AUDIT NUMBER RELEASE DATE	TITLE	QUESTIONED COSTS AND LOANS	UNSUPPORTED COSTS AND LOANS	FUNDS BE PUT TO BETTER USE
50-568-0238-CH 93/01/07	SINGLE AUDIT OF THE INDIANA DEPARTMENT OF NATURAL RESOURCES			
50-568-0239-AT 92/11/16	OMB CIRCULAR A-128, AUDIT OF METROPOLITAN DEV. & HOUSING AGENCY, NASHVILLE, TN 9/30/91			
50-568-0239-CH 93/02/10	SINGLE AUDIT OF THE INDIANA STATE BOARD OF HEALTH			
50-568-0240-AT 92/12/02	OMB CIRCULAR A-128, OKALOOSA COUNTY, CRESTVIEW, FL, FOR FYE 9/30/91			
50-568-0241-AT 92/10/20	OMB CIRCULAR A-128 DEPT. OF PARKS, RECREATION & TOURISM, COLUMBIA, SC, FOR FYE 6/30/90			
50-568-0242-AT 92/12/02	OMB CIRCULAR A-128, LEXINGTON-FAYETTE URBAN COUNTY GOVT., KY, FOR FYE 6/30/91			
50-568-0244-AT 92/11/17	OMB CIRCULAR A-128, SC COMMISSION ON AGING, COLUMBIA, SC, FOR FYE 6/30/89			
50-568-0251-KC 92/10/01	A-128 WY DEPARTMENT OF HEALTH AND SOCIAL SERVICES, FY ENDED 6/91	$9,679	$9,679	
50-568-0252-KC 92/10/20	A-128 NE DEPT. OF SOCIAL SERVICES (YEAR ENDED 6/30/90), LINCOLN, NE			
50-568-0253-KC 93/02/18	A-128 BOONE COUNTY (YEAR ENDED 12/31/91) COLUMBIA, MO			
50-568-0254-KC 93/01/19	A-128, NEBRASKA DEPARTMENT OF HEALTH, LINCOLN, NE (6/91)			
50-568-0255-KC 93/03/23	A-128, STATE OF MISSOURI (FY 6/91), JEFFERSON CITY, MO	$12,128	$5,027	
50-568-0256-KC 93/03/31	A-128, STATE OF KANSAS (FY 6/30/91), TOPEKA, KS			
50-568-0257-KC 93/03/19	A-128, STATE OF IOWA (FY 6/91) DES MOINES, IA			
50-568-0489-SF 92/10/02	A-128 AUDIT REPORT ON STATE OF ID, DEPT OF PARKS AND RECREATION - 7/1/89 - 6/30/91			
50-568-0490-SF 92/10/28	A-128 REPORT ON THE GUAM TELEPHONE AUTHORITY FOR FYE 9/30/91			
50-568-0491-SF 92/10/29	A-128 REPORT ON DEPT OF HUMAN SERVICES, STATE OF HAWAII FOR THE FYE 6/30/91			
50-568-0492-SF 92/10/28	A-128 REPORT ON THE REPUBLIC OF THE MARSHALL ISLANDS - FYE 9/30/89			
50-568-0493-SF 92/11/04	A-128 REPORT ON COEUR D'ALENE TRIBE OF IDAHO-FYE 9/30/90	$3,610		
50-568-0494-SF 92/11/04	A-128 REPORT ON THE UNIVERSITY OF IDAHO FOR 2-YEAR PERIOD ENDED 6/30/91	$2,867	$761	
50-568-0495-SF 92/11/04	A-128 REPORT ON THE UNIVERSITY OF GUAM FOR 2-YEAR PERIOD ENDED 9/30/90			
50-568-0496-SF 93/01/21	A-128 AUDIT REPORT ON THE REPUBLIC OF PALAU FOR THE FYE SEPTEMBER 30, 1989	$2,626	$2,626	
50-568-0497-SF 93/03/19	A-128 AUDIT REPORT ON THE STATE OF NEVADA FOR THE FYE JUNE 30, 1991			
50-568-0498-SF 93/03/18	A-128 AUDIT REPORT ON PIMA COUNTY, ARIZONA, FOR THE FYE JUNE 30, 1991			
50-568-0499-SF 93/03/18	A-128 AUDIT REPORT ON THE COUNTY OF SIERRA, CA, FOR THE FYE JUNE 30, 1992			
50-568-0500-SF 93/03/18	A-128 AUDIT REPORT ON THE CITY OF LOS ANGELES CA, FOR THE FYE JUNE 30, 1991			
50-568-0501-SF 93/03/18	A-128 AUDIT REPORT ON THE DEPT OF EDUCATION, STATE OF HI, FOR THE FYE 6/30/91			
50-568-0502-SF 93/03/18	A-128 AUDIT REPORT ON THE REPUBLIC OF THE MARSHALL ISLANDS FOR THE FYE 9/30/90			
50-568-0503-SF 93/03/22	A-128 AUDIT REPORT ON THE REPUBLIC OF THE MARSHALL ISLANDS FOR THE FYE 9/30/91			
50-568-0504-SF 93/03/19	A-128 AUDIT REPORT ON JACKSON COUNTY, OR, FOR THE FYE JUNE 30, 1992			

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50-568-0505-SF 93/03/22	A-128 AUDIT REPORT ON THE COUNTY OF TRINITY, CA, FOR THE FYE JUNE 30, 1992				
50-600-0002-KC 92/12/15	WETLAND CONSERVATION PROVISIONS		$1,170,133		
50-600-0006-KC 93/03/31	CONSERVATION RESERVE PROGRAM BID EVALUATION PROCEDURES				$14,377,191
50-600-0007-AT 93/03/30	FEDERAL EMPLOYEES' COMPENSATION ACT PROGRAM		$16,544,516		$135,006,343
50-600-0008-CH 92/12/28	QUALITY OF AUDITS PERFORMED ON MULTI-STATE FOOD PROCESSORS BY CPA'S				
50-600-0009-CH 93/03/31	QUALITY OF AUDITS PERFORMED ON RRH PROGRAM BY CERTIFIED PUBLIC ACCOUNTANTS				
	TOTAL: MULTI-AGENCY	64	$18,356,289	$168,503	$149,383,534
AGENCY - OFFICE OF INFORMATION RESOURCES MANAGEMENT					
58-001-0001-FM 93/03/31	DEPARTMENTAL CONTROLS OVER MAJOR IRM ACQUISITIONS - OIRM				
58-600-0001-FM 93/03/31	NCC GENERAL CONTROLS REVIEW - FY 92				
	TOTAL: OFFICE OF INFORMATION RESOURCES MANAGEMENT	2			
	TOTAL: RELEASE - NATIONWIDE	154	$88,255,061	$5,423,384	$159,255,348

Appendix IV

CROSS REFERENCES TO REPORTING REQUIREMENTS OF THE INSPECTOR GENERAL ACT

The table below cross-references the reporting requirements prescribed by Section5(a) of the Inspector General Act of 1978, as amended, to the specific pages where they are addressed.

Requirement		Page
(1)	Significant Problems, Abuses, and Deficiencies	4-31
(2)	Significant Recommendations for Corrective Action	4-31
(3)	Significant Prior Recommendations on Which Corrective Action Has Not Been Completed	*
(4)	Matters Referred to Prosecutive Authorities, and the Prosecutions and Convictions Which Resulted	4-31 & 38
(5)	Summary of Reports of Instances Where Information Was Refused	None
(6)	List of Audit Reports Issued	45-53
(7)	Summary of Each Significant Report	4-31
(8)	Statistical Tables on Management Decisions on Questioned Costs	43
(9)	Statistical Tables on Management Decisions on Recommendations That Funds Be Put To Better Use	44
(10)	Summary of Each Audit Report Over 6 Months Old for Which No Management Decision Has Been Made	32-37
(11)	Description and Reasons for Significant Revised Management Decisions	None
(12)	Significant Management Decisions With Which the Inspector General Disagrees	None

*Under USDA's audit followup process, the Office of Finance and Management is responsible for tracking and reporting on corrective actions after a management decision has been reached. Corrective action information is provided to Congress in the Secretary's Report to Congress.

None = there were no such instances

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