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# Office of Inspector General Semiannual Report To Congress

FY 1993-Second Half

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

October 28, 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 September 30, 1993.

During this period, our audit and investigative efforts resulted in approximately \$43.2 million in recoveries, collections, fines, restitutions, and administrative penalties. Management agreed to put an additional \$53 million to better use. We also identified \$6.4 million in questioned costs that cannot be recovered. Our investigative efforts resulted in 579 indictments and 471 convictions.

Many of the successful outcomes described in this report were made possible through the support and cooperation of program managers and staff throughout the Department. We look forward to continuing these collaborative efforts as we seek to help improve the efficiency and effectiveness of the Department's operations.

Sincerely,

A handwritten signature in black ink, appearing to read "Charles R. Gillum".

CHARLES R. GILLUM  
Acting Inspector General

Enclosure

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# Executive Summary

This is the 30th 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 April 1 through September 30, 1993.

## Monetary Results

During this period, we issued 208 audit reports and reached management decision on 177 audits. Based on this work, management officials agreed to recover \$21.1 million and to put an additional \$53 million to better use.

We also issued 685 reports of investigation during this period. Our investigative efforts resulted in 579 indictments, 471 convictions, and approximately \$22.1 million in recoveries/collections, fines, restitutions, and administrative sanctions.

## Collaboration With Management

The National Performance Review challenges the Inspectors General to broaden their focus from strict compliance to evaluating management control systems. In USDA, this broader focus has long been a part of OIG's view of its mission. Consequently, we have enjoyed a long history of working closely with management officials to address their concerns and to assist in identifying ways to improve the delivery of agriculture programs. In this report, we have summarized several examples of our efforts to provide early input to new programs and technical assistance to improve existing programs. We have also described many training and compliance activities conducted jointly with program staff as well as other Federal, State, and local agencies.

## Investigative Efforts

During this period, we continued to focus significant investigative resources on detecting and investigating fraud in the Food Stamp Program (FSP). These efforts resulted in indictments and convictions against wholesalers, retailers, and others who were trafficking in food stamps. In one major case, five individuals who owned retail produce markets in the Los Angeles area illegally purchased and redeemed over \$20 million in food stamps. The five defendants received prison sentences ranging from 1½ to 6 years and were ordered to pay restitution totaling \$325,000. In addition, civil asset forfeiture proceedings have been initiated by the Justice

Department. In another case, the corporate owners of a supermarket pled guilty to illegally redeeming over \$6.6 million in food stamps and WIC vouchers. Six individuals, including both owners and employees, were also involved in the scheme. Jail terms of up to 3½ years and fines of up to \$200,000 were ordered in the case.

As a result of our continuing investigations into bid rigging in the National School Lunch Program, three companies and one company official pled guilty to violating the Sherman Antitrust Act and were fined \$8.4 million. OIG continues to assist the Antitrust Division of the Department of Justice in bid rigging investigations across the country.

In addition to these cases, this report describes our investigations into cases of food tampering; fraud in USDA's export, loan, and crop insurance programs; and employee misconduct. In each of these areas, our efforts resulted in significant judicial, civil, and administrative action. Also described in this report is our assessment of the Forest Service's (FS) law enforcement program. While improvements have been made since our 1988 review, we have continuing concerns that FS uniformed law enforcement officers are not always supervised by law enforcement personnel. We are continuing to work with FS management in this area.

## Audit Efforts

During this reporting period, FNS officials requested our assistance in determining the eligibility of some 50,000 convenience-type store chains to participate in the FSP. Nearly half (46 percent) of the stores we reviewed did not meet FNS' staple food requirement. FNS officials are deferring action on this matter while Congress considers legislation to redefine an eligible store. Also in the FSP, we recommended that FNS help one State clear its backlog of \$21 million in potential recipient errors. The backlog has been growing since 1988.

In the Agricultural Stabilization and Conservation Service (ASCS), we reviewed the disaster and price support programs, and the wool and mohair marketing programs. We recommended that agency officials strengthen reviews of disaster and loan deficiency payments. ASCS paid over \$183 million in loan deficiency payments and loan repayment discounts for 1991 and 1992 because of miscalculations in the world prices of rice and cotton. Another audit found that weak controls over disaster assistance for nonprogram crops

resulted in abuse by producers, who planted crops with no intention of harvesting them. We are working with ASCS and other agencies as they implement assistance for the 1993 flood and drought disasters. In the Wool and Mohair Marketing Programs, we verified ASCS' information that some marketing cooperatives were inflating the selling prices of wool and mohair in order to increase the Government's support price. ASCS took action to reduce current wool and mohair payments and to improve controls over future payments.

We also reviewed the End-of-Year Review Process instituted by ASCS to strengthen controls over payment limitations. We found that this process is working but could be improved. We also found cases where producers misrepresented their actual farming practices. ASCS officials amended program procedures to provide for better controls. Other audits of ASCS' programs are described in this report.

We also conducted audits of the Business and Industrial (B&I) loan program and the Rural Rental Housing (RRH) program. The Rural Development Administration agreed to monitor lenders more closely on problem B&I loans. About a fourth of the \$62 million in problem cases we reviewed involved potentially negligent servicing. In the RRH program, the Farmers Home Administration developed proposed regulations to require its counter-signature before borrowers can withdraw funds from reserve accounts. Of the sample we reviewed, an estimated \$11 million in withdrawals was used for unauthorized or questionable purposes.

As part of our continuing effort to help the Agricultural Marketing Service (AMS) strengthen compliance activities, we worked with AMS staff to develop uniform

audit procedures to be used by marketing order committees in conducting reviews at handlers' sites. The new procedures will allow committees to uniformly evaluate whether the handlers paid the proper amount of assessments and met marketing order provisions.

At the Secretary's request, we reviewed inspection activities at a meat plant in Nebraska with a history of sanitation violations. During our review, the Food Safety and Inspection Service (FSIS) stepped up its enforcement action against the plant and is cataloging similar problem plants for closer scrutiny. When we performed a follow-up review at the plant, we found improvements. However, FSIS will need to continue providing intensive supervision over the plant's operations. We also provided testimony on our review to the House Government Operations Subcommittee on Human Resources and Intergovernmental Relations.

Our continuing review of the FS' concessionaire fees showed that the current fee system does not give the FS a fair return for the use of its land. We recommended the FS adopt a fee system that would ensure a fair market return. We also reviewed the FS' method of estimating the value of the timber it sells and found ways the agency can increase the reliability of these estimates.

Our audits of agency financial statements show a need for continued improvement in this area. We are working with the Department to strengthen its financial systems, and several agencies have already initiated improvements. Similar improvements have also been undertaken in information resource management and acquisition planning.

## Summary of Audit Activities

### Audit Reports Issued

Reports Issued .....		208
Audits Performed by OIG .....	88	
Audits Performed Under Single Audit Act .....	104	
Audits Performed by Others .....	16	

### Management Decisions Made

Number of Reports .....		177
Number of Recommendations .....		726

### Dollar Impact (millions)

Questioned/Unsupported Costs .....		\$27.5 <sup>ab</sup>
Recommended for Recovery .....	\$21.1	
Not Recommended for Recovery .....	\$6.4	
Funds To Be Put to Better Use .....		\$53.0
<b>TOTAL</b> .....		<b>\$80.5</b>

<sup>a</sup>These were the amounts the auditees agreed to at the time of management decision.

<sup>b</sup>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 .....	685
Cases Opened .....	627
Cases Closed .....	582
Cases Referred for Prosecution .....	526

### Impact of Investigations

Indictments .....	579
Convictions .....	471 <sup>a</sup>

### Dollar Impact (millions)

Recoveries/Collections .....	\$4.2 <sup>b</sup>
Restitutions .....	\$6.6 <sup>c</sup>
Fines .....	\$10.9 <sup>d</sup>
Cost Avoidance .....	\$0.4 <sup>e</sup>
Administrative Penalties .....	\$0.4 <sup>f</sup>

### Administrative Sanctions

Employees .....	37
Businesses/Persons .....	218

<sup>a</sup>Includes convictions and pretrial diversions. Also, the period of time to obtain court action on an indictment varies widely; therefore, the 471 convictions do not necessarily relate to the 579 indictments.

<sup>b</sup>Includes money received by USDA or other Government agencies as a result of OIG investigations.

<sup>c</sup>Restitutions are court-ordered repayments of money lost through a crime or program abuse.

<sup>d</sup>Fines are court-ordered penalties.

<sup>e</sup>This category consists of loans or benefits not granted as the result of an OIG investigation.

<sup>f</sup>This category includes monetary fines or penalties authorized by law and imposed through an administrative process as a result of OIG findings.

# National Performance Review

The recent National Performance Review (NPR) calls for many changes in the way the Government conducts its business. It challenges the Inspectors General to broaden their focus “from strict compliance to evaluating management control systems.” In USDA, this broader focus has traditionally been a part of OIG’s view of its mission. As a result, we work closely with management officials to address their concerns and to assist in identifying ways to improve the delivery of the Department’s programs. We view program management as one of our primary customers; while mindful of our duty to remain operationally independent from the Department, we also strive for our reports, recommendations and technical expertise to be a resource for managers in administering their programs. In turn, program managers can be a resource for us; our most successful efforts are those where we have management interest and support.

One of the most important ways we interact with our management customers is to solicit their input in our annual planning process. We need this input to ensure that our audit, investigation, and evaluative efforts address those issues of most concern to management and cover those areas where managers know or believe control weaknesses exist. We have received much valuable information using this approach, and we plan to continue it in the future. In addition, we plan to expand this strategy from the macro planning level to individual audit planning. We expect to discuss the scope, objectives, and approach of our proposed audits with agency officials at our formal planning sessions. We anticipate that the resulting exchange of ideas will assist us in better isolating audit issues of concern to management and will help program staff better understand the audit process.

In addition to soliciting management input in our planning process, we strive to respond promptly to requests for technical assistance, advice and reviews on issues throughout the year. Highlights of some of our accomplishments and initiatives follow, and are discussed more fully in the text of this report.

- We worked closely with FmHA staff to develop an audit program for use by CPA firms that perform audits of Rural Rental Housing Borrowers as multi-family housing projects are being built. This audit program was needed because CPA firms performing these audits were frequently not identifying overcharges in the construction phase. We also provided

training to CPA firms as part of a conference sponsored by the American Institute of Certified Public Accountants.

- FmHA Farmer Program borrowers who faced foreclosure expressed concerns to the Secretary that their cases had not been handled properly by the agency staff. In response, the Secretary suspended foreclosure action and established a task force to reexamine the borrowers’ files. FmHA employees not previously involved in the individuals’ cases were appointed to the task force. At the request of the Secretary, OIG also participated by reviewing the work of the task force to ensure its conclusions were reasonable and proper. We provided task force members with questions and comments on individual cases and suggestions for improving their methodology throughout the review.
- The Deputy Chief Financial Officer asked OIG to participate on a team with Departmental officials to modernize and improve financial and management information systems. We are participating as full team members, offering our recommendations as plans are being devised and carried out.
- The Secretary asked us to evaluate meat inspection activities at a packing plant that had been the subject of a national television broadcast. When we arrived at the plant, which had been closed by the Secretary, corrective actions still had not been completed. We made a number of recommendations to improve plant operations, and FSIS officials took immediate action. They also agreed to improve their general oversight procedures. Following our review at the plant, FSIS officials asked us to help them develop a more effective compliance program which would use a specially designed performance model to identify high risk plants. We assigned an auditor and investigator to work with the FSIS team and helped them redesign their computer operations which will provide the needed controls.
- We assisted AMS staff in developing compliance profiles for use by market order committees and participated in workshops to help them train the users of the information. In addition, we collaborated with AMS staff to develop audit procedures at handlers’ operations.



- We are coordinating with FNS staff in their efforts to identify, reduce, or minimize food stamp trafficking. OIG investigators and auditors and FNS compliance officers have worked together using computerized retailer food stamp redemption information and reported annual gross food sales to identify and investigate “high redeemer/low volume” retailers.
- We have conducted several special studies to gather and analyze information requested by management. For example, we conducted a joint review with ASCS to determine if a complaint alleging improper planting of crops was valid. The review led to several audits that identified for management that the problem was widespread. We conducted another audit of disaster payments and found that loss adjustments on corn were excessive. ASCS officials requested that we assess the same issues as they relate to other crops. We performed an immediate evaluation and reported promptly to management; program officials revised their policies, thus precluding overpayments for other

crops. Finally, we conducted a special review in the Wool and Mohair program. Agency officials were concerned that marketing cooperatives had inflated prices; our review confirmed this and led to prompt corrective action.

- We are working with management as it begins its efforts to develop and implement performance measures within the Department. Internally, we have begun this process as well, incorporating our customers’ input.

We fully support the concept proposed by the NPR to refocus Inspector General activities to serve as a resource for management decision and action. We believe that the above examples illustrate this approach. Further, we believe that the emphasis NPR has placed on this issue will provide new opportunities to revitalize our partnerships with management and will serve as a valuable tool in meeting the challenges inherent in change.

# 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 (WIC); and the Food Donation Programs. 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, 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 in food stamp trafficking. We also devoted significant audit resources to reviewing program administration and costs.

### Food Stamp Program (FSP)

#### Fraud by Retailers Continues

- We previously reported that a \$120 million civil suit was filed against a New York wholesaler, claiming that the wholesaler fraudulently redeemed more than \$40 million worth of food stamps in a 2-year period. The wholesaler redeemed the stamps through a fictitious retail store.

Our investigation also led to criminal charges against the wholesaler. During this reporting period, the wholesaler pled guilty to these charges and was sentenced to 21 months in prison and fined \$40,000. Settlement of the \$120 million civil suit is pending.

- In Los Angeles, investigations at two retail produce markets resulted in the conviction of five individuals for the unlawful acquisition of food stamps and structuring bank transactions to evade currency reporting requirements. From October 1991 through 1992, one market redeemed \$9.5 million in food stamps, while the other market redeemed \$11.3 million in food stamps from 1989 through 1992. Redemption of food stamps by the owners of the markets included stamps that had been illegally purchased for cash. Our investigations, which included undercover trafficking with owners of the

stores, also disclosed that after the owners deposited the food stamps, they structured cash withdrawals at their banks to evade U.S. Treasury requirements for reporting currency transactions. Both investigations were conducted jointly with the Internal Revenue Service (IRS), and with the assistance of FNS.

The five defendants received prison sentences ranging from 18 to 51 months and were ordered to pay restitution totaling \$350,000. In addition, the U.S. Department of Justice has initiated civil asset forfeiture proceedings against property owned by the defendants.

- In Ohio, six individuals, including grocery store owners, former owners, and employees were indicted for illegally obtaining, possessing, transferring, and redeeming over \$6.6 million in food stamps and WIC vouchers, and for related conspiracy charges. Two corporations were also indicted.

The defendants had been purchasing food stamps and WIC vouchers for several years and redeeming them through a network of other stores. In addition, one store had been illegally redeeming stamps for several other stores.

The six individuals pled guilty, were sentenced to jail terms of up to 3½ years, and were fined up to \$200,000. Both corporations also pled guilty; one was fined \$1,000, and the other awaits sentencing.

- A North Carolina grocer was sentenced to 51 months in prison and fined over \$8,000 for illegally acquiring and redeeming \$2.7 million in food stamps. The retailer bought the stamps over a 28-month period and redeemed them using FNS authorizations for five retail stores, four of which had been closed for years. Our investigation was initiated after an FNS compliance review found irregularities in the grocer's sales and redemptions.
- Five individuals pled guilty to illegally redeeming over \$958,000 worth of food stamps in Louisiana and Mississippi. The defendants bought and redeemed the stamps through several phony businesses set up solely for that purpose. The five defendants received sentences ranging from 6 to 51 months' confinement and were ordered to pay approximately \$932,000 in restitution. Additional funds were seized and forfeited previously. FNS assisted in this investigation.

- Nine grocery store owners in New Jersey agreed to pay over \$127,500 to settle civil suits brought against them under the False Claims Act for violations of the FSP. The U.S. attorney in New Jersey initiated these civil suits to increase enforcement action against store owners who traffic in food stamps. These nine business owners purchased a total of \$10,460 in food stamps.

USDA is working with the Department of Justice nationwide to increase the use of civil actions in similar cases.

### Food Stamp Trafficking Cases Continue

- The owner of a Charleston, West Virginia, nightclub was sentenced to serve 15 months in prison and pay a \$30,000 fine for illegal possession of food stamps, income tax evasion, and a firearms violation. The food stamp charges involved the purchase of about \$3,000 in stamps by the nightclub owner. The tax and firearms charges were added after a search of the nightclub uncovered firearms and other items hidden in a furnace and a set of double books for concealing business income.

The sentencing in this case ended a joint investigation by OIG, IRS, and local law enforcement authorities. Additional civil action is still pending to determine tax penalties.



Items found after a search of a West Virginia nightclub, done in connection with a food stamp trafficking case. The owner received a fine and jail sentence. OIG photo.

- A street trafficker in Los Angeles was sentenced to 15 months in prison and was ordered to make restitution of \$112,000 after pleading guilty to illegal possession of over \$100,000 in food stamps. We received information that the defendant was purchasing stamps from recipients as they left food stamp issuance centers. An undercover OIG agent contacted him and agreed to buy \$30,000 in food stamps. After the transaction was completed, the defendant was arrested. A search of his residence and vehicles uncovered an additional \$82,000 in food stamps.
- Seven men in Missouri, one of whom operated drug houses in Kansas City, were given stiff sentences on multiple charges resulting from a joint investigation with the Kansas City Police Department. The ring-leader was sentenced to 35 years in prison for conspiracy, drug trafficking, food stamp trafficking, and use of a firearm during a drug transaction. One accomplice was sentenced to 17 years. Five others were given sentences ranging from 5 to 15 years.
- As a result of three undercover operations in Texas, conducted jointly with other Federal, State, and local law enforcement agencies, 70 people were arrested and charged with trafficking in food stamps and narcotics. During these investigations, undercover OIG agents met with drug dealers and exchanged over \$16,000 in food stamps for cash, cocaine, and marijuana. Many of the transactions occurred within 1,000 feet of a playground or school, a violation that carries increased criminal penalties. To date, 10 people have been convicted and have received sentences ranging from 90 days' to 35 years' confinement.
- As a result of a joint investigation with the Bureau of Alcohol, Tobacco and Firearms, a man in Kansas City was sentenced to 5 years in prison after pleading guilty to illegally acquiring food stamps, dealing in firearms without a license, and aiding and abetting the distribution of cocaine. During the investigation, an OIG undercover agent purchased 10 firearms, including semi-automatic assault weapons, crack cocaine, and cash for over \$13,000 in food stamps.

## **Large Numbers of Convenience Stores May Lose Their Eligibility To Participate in the FSP**

To participate in the FSP, retailers must show that more than 50 percent of their food stamp sales are for items classified as “staples” (*i.e.*, bread, meat, dairy items). FNS officials estimate that over 56,000 convenience stores are participating in the FSP. Because some convenience stores participating in the program reported to FNS that less than 50 percent of their sales were for staple items, FNS asked us to review compliance with the requirement.

Our audit found that 46 percent of the 346 convenience stores reviewed did not meet the 50-percent staple foods requirement. Many stores assumed they met the requirement and had not checked their staple food percentage when they recertified their eligibility. Managers of some stores said that they had received conflicting information from FNS on how to compute the percentage, while others relied on estimates of the amounts of food items sold. The ineligible stores we identified had redeemed food stamps in excess of \$1.3 million in FY 1992.

We recommended that FNS withdraw its authorization from the ineligible stores we identified. FNS officials responded that since Congress is considering legislation to redefine an eligible store, they will defer any action on this matter until Congress completes its deliberations.

## **California Claims Questionable Expenses To Administer the FSP**

FNS reimburses States about \$2 billion annually for the cost of administering the FSP. States are reimbursed 50 percent of their costs of certifying households, issuing stamps, and operating data processing systems. They are also reimbursed for 75 percent of their costs of conducting anti-fraud activities, and for 50 - 100 percent of their costs of conducting training programs.

In 1990, we completed audits of the administrative expenses claimed by 10 States. The audits reported that the States made approximately \$10.6 million in potential overcharges. We recommended that FNS strengthen its internal controls over the reimbursement process.

To assess the status of controls, we reviewed the administrative costs claimed by California for FY's 1991

and 1992. These costs totaled about \$394 million. Of this amount, we focused on those claims related to anti-fraud and training activities, totaling \$2.3 million.

We found that the State improperly claimed over \$1.7 million, including:

- \$1.3 million in expenditures that were made during FY's 1975 through 1990, but claimed in FY 1991; this figure includes \$460,000 in duplicate costs for FY 1991; and
- unsupported and ineligible costs, totaling about \$378,000, for FY's 1991 and 1992. We found that the State did not have a way to allocate the time employees spent working on anti-fraud activities.

We recommended that FNS recover all of the costs questioned and implement controls to prevent the recurrence of these conditions. FNS agreed with our findings and took actions to implement the recommendations.

Because of the problems noted, we have expanded our audit work to an additional five States.

## **Backlog of FSP Claims in Michigan Grows Worse**

In previous periods, we have reported nationwide problems in how FNS establishes recipient claims. Our audit of the Michigan Department of Social Services reviewed the State's controls over claims against recipients for food stamp overissuances and FNS' monitoring of the State's claims activities.

We found that the State had a backlog of about 36,000 unworked potential fraud claims valued at over \$21 million. This backlog had increased from about 25,000 cases found during an FY 1988 audit. Although the size of the backlog had steadily increased since the prior audit, the workforce assigned to process it had steadily decreased. During our current audit, the State significantly increased the staff to begin reducing the backlog.

We also found that approximately 40 percent of the backlog of unprocessed potential fraud cases, amounting to \$6 million, had been outstanding over 3 years. Because of the time it takes the State to identify an overissuance and process the claim, these older claims become less likely to be collected.

We recommended that FNS regional office staff help the State develop strategies to eliminate the existing backlog. We also recommended that the regional office monitor the actions taken by the State to ensure that priority is placed on older cases.

FNS officials are taking corrective action.

## **National School Lunch and Breakfast Programs**

### **Large Fines Levied in Bid-Rigging Cases**

As a result of our continuing investigations into bid rigging in the National School Lunch Program (NSLP), three companies and one company official pled guilty to violating the Sherman Antitrust Act and were fined \$8.4 million. Two officials of two firms were also indicted; their trials are pending.

The investigations, conducted with the Antitrust Division of the Department of Justice, showed the companies conspired to submit noncompetitive bids for food and milk contracts with school districts and other public concerns in Oklahoma and Texas. The NSLP provides a substantial portion of the funding to public schools for meals and milk.

OIG continues to assist the Antitrust Division in other bid rigging investigations throughout the country.

### **Food Distribution Programs**

#### **The Chicago School District Did Not Maintain Proper Controls Over Inventories of Donated Commodities**

USDA donates commodities to school districts for use in the NSLP and other USDA-sponsored programs. We reviewed the controls the Chicago School District had over its commodities to determine if inventory amounts were sufficient and if the commodities were used in a timely manner. At the time of our audit, the school district had inventories of 46 commodities valued at about \$2.5 million.

We found that excessive inventories totaling \$1.3 million had accumulated for 29 of the 46 donated commodities we reviewed. One commodity was in such large supply that, given the district's rate of use, we estimated it would take about 15 years to use it. Although inventory

reports were furnished to school district officials, the information in the reports could not be relied on and therefore was not used. Rather, the officials depended on verbal communications with warehouse officials.

In addition, we found that 11 donated commodities totaling about \$989,000 had been in storage longer than the recommended shelf life for use in the NSLP. For example, about 8,900 cases of frozen ground pork had been stored from 9 to 24 months beyond the recommended shelf life. When we informed school district officials that these commodities could be unsafe and should be inspected, the officials said they did not plan to perform any inspections.

Because of the seriousness of this issue, the State required the commodities to be tested before allowing any of them to be used in the school lunch program. These tests determined the commodities could be used. The school district was then required to provide the State with menu plans which incorporated the use of the aged commodities.

Besides recommending that improved inventory procedures be implemented, we also recommended that FNS monitor the actions taken by the State and the school district to ensure that donated commodities held longer than their recommended shelf life be inspected prior to use in the NSLP. FNS and State officials agreed with our recommendations and are taking corrective action.

#### **Food Processor's Accounting Practices Result in \$225,000 Shortage of USDA-Donated Commodities**

When USDA donates commodities such as ground beef to school districts, private food processors contract with the State to convert these commodities into end products, such as hamburger patties. Each processor is required to guarantee how much end product will be produced from a specified quantity of donated commodities. If the guarantee is not met, the processor must either make up the shortage with equivalent commodities obtained commercially or pay the school district for the value of the shortage.

We completed a review at one large multi-State food processor in California that processed various commodities for a large number of school districts in several States. In California alone, the company processed 5.1 million pounds of donated ground beef over a 12-month period. This represented about 39 percent of

all the ground beef donated by USDA to California school districts. During this period, the company also processed over 1 million pounds of ground pork, turkey roasts, ground turkey, and chicken. We limited our review to the processing of ground beef for California school districts because this encompassed most of the processor's production.

We found that the processor did not keep track of how much of each school district's ground beef was processed into hamburgers, but relied instead on estimates that were inaccurate and higher overall than the actual amounts. Consequently, the processor's records showed lower balances in the school districts' inventories of ground beef than should have been shown. From July 1991 through June 1992, these excessive inventory reductions totaled more than 91,000 pounds. In addition, the processor did not reimburse the school districts for over 82,000 pounds in shortages that occurred because production guarantees were not met. The value of these excessive inventory reductions and unreimbursed shortages was about \$225,000.

FNS has agreed to direct the State, which contracted with the processor, to establish a \$225,000 claim

against the processor. The processor will also be required to implement a system which will account for each school district's commodities and to compensate the districts for shortages.

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

#### **Juice Distributor Pleads Guilty to WIC and Food Stamp Fraud**

A juice distributor in New York City pled guilty to food stamp trafficking and WIC program violations. The distributor routinely bought food stamps and WIC vouchers from retail stores along his route that were not authorized to participate in these programs, then laundered the stamps and vouchers through other stores that were authorized. To date, this investigation has resulted in the disqualification of five retail grocery stores from the WIC program. Additional administrative sanctions are expected. Sentencing of the distributor is pending.

# International Affairs and Commodity Programs

## Agricultural Stabilization and Conservation Service (ASCS)

ASCS administers farm commodity, conservation, environmental protection, and emergency programs. These programs provide for commodity loans and price support payments, commodity purchases, 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 \$1.9 billion for conservation programs and \$715 million for salaries and expenses. CCC funds all other ASCS program operations, with estimated outlays of \$22.8 billion, almost twice the amount spent in FY 1992.

During this period, we focused audit attention on emergency assistance. Because of the severity of the problems we found in the disaster program, we established a task force to work with ASCS and other USDA agencies as they implement assistance for the 1993 flood and drought disasters. We plan to give agencies our early assessments of how effectively these programs are being implemented.

During this period, we also focused audit resources on the marketing loan provisions of the price support programs.

### **Marketing Loan Costs for Rice and Cotton Increased \$183.3 Million Because of Inaccurate Adjusted World Prices**

ASCS uses adjusted world prices of rice and cotton to determine the loan deficiency payments and the loan repayment discounts on these commodities. The further the adjusted world price falls below the commodity's price support loan level, the greater the payment or the discount will be. Payments and discounts for rice and cotton totaled about \$539 million for crop year 1991 and were estimated by ASCS to be about \$616 million for 1992.

We found that the adjusted world prices of rice and cotton were understated during crop years 1991 and 1992, which increased payments and discounts by \$183.3 million. This occurred primarily because ASCS

did not have procedures for collecting and updating data used in its calculation of adjusted world prices. We identified several inaccurate or outdated values.

- *Rice Handling Costs.* The total cost of handling rice was about 17.5 percent less than the cost used by ASCS. The difference occurred largely because ASCS calculated that bulk rice made up only 20 percent of all rice shipped, whereas we found it made up 62 percent of the total. Because the cost of handling bulk rice was lower than the cost of handling bagged rice, ASCS overstated the average handling cost for all rice and understated the adjusted world price.
- *Rice Milling Costs.* The variable cost of milling rice was about 30.5 percent less than the cost used by ASCS.
- *Broken-Rice Values.* ASCS' calculations valued broken rice at half of the world price of whole long grain rice. Regulations stated that ASCS should use the domestic market value of broken rice, which was substantially higher. When we notified ASCS of the difference, the agency revised its regulation: broken-rice values were to be estimated from observations of whole and broken-rice export prices. Despite this revision, however, ASCS continued to value broken rice at half the world price. Our observations of rice prices for the U.S.' largest competitor showed that its broken rice prices averaged 63 percent of whole grain prices.
- *Rice Bran Values.* ASCS computed bran values by using the metric ton measure of 2,204.6 pounds rather than 2,000 pounds, as required. ASCS also used inaccurate percentages to weigh the prices of bran from various sectors of the U.S. market which did not reflect current U.S. market volumes. ASCS took corrective action and saved about \$9.7 million in payments and discounts for 1992.
- *Cotton Transportation Costs.* For 1991, Economic Research Service (ERS) which calculates the national average transportation cost for U.S. cotton delivered to northern Europe, excluded the cotton grown in the western United States and shipped through west coast ports. For 1992, ERS included this cotton but significantly understated its amount. Because the cost of transporting cotton through west coast ports was lower than for other areas, ERS overstated the national average cost, causing ASCS to understate the adjusted world price.

We recommended that ASCS correct its adjusted world price for rice and review the adjusted values annually, that ERS revise its cotton transportation cost, and that ASCS and ERS develop procedures for gathering data and monitoring price determinations.

ERS officials agreed with some but not all of our recommendations to improve their transportation cost estimate. ASCS officials agreed to update their formula components, develop procedures for periodic review, and review the new data. However, they did not agree that they would necessarily use the new data in the program. We are working with the agencies to resolve these issues.

### **Controls Over Disaster Assistance for Nonprogram Crops Are Inadequate To Prevent Abuse**

Audits and a joint OIG/ASCS review of disaster assistance for nonprogram crops (squash, cucumbers, etc.) in five States disclosed a pattern of abuse by producers and a weakness in ASCS' controls over disaster payments. The abuse occurred because the expectation of disaster assistance encourages some producers to plant a crop they do not intend to harvest, and because procedures make it difficult for ASCS to verify that a nonprogram crop was damaged or lost. The audits covered 237 producers who received about \$5.7 million in disaster assistance during the 1990 through 1992 crop years. We questioned about \$3 million paid to 79 of the producers, including two ASCS county committee members. One of the audits also prevented an estimated \$3.5 million in improper disaster payments.

Crop disaster assistance available in 1990 was extended by law in 1991 and again in 1992. The timing of the legislation was such that producers were aware that disaster payments would be available in advance of the applicable crop year. Producers were further aware that ASCS could not easily verify the acreage of a nonprogram crop or the size of a loss. Producers of nonprogram crops do not submit annual acreage reports to ASCS, and they normally do not declare a disaster until long after the crops would have been harvested, leaving ASCS with nothing to inspect.

Our audits in Georgia, Texas, California, Minnesota, and Michigan found that some producers took advantage of the weakness in ASCS' controls and of the expectation of disaster assistance, especially in 1991 and 1992. During those years, producers established

multiple "individuals" for payment purposes, leased land to increase their crop size, and planted crops in such a way as to realize significant returns on their disaster payments.

- *No intent to harvest.* The cost of producing some crops, like squash, is high because extensive hand labor is involved in the harvesting. However, if a producer does not intend to harvest the crop, the cost is substantially reduced. At the same time, a disaster payment is based on the market price of the crop, which in turn includes the normal cost of production. Therefore, producers who do not harvest their crops spend far less on production than they can earn in disaster payments. Losing a squash crop to a disaster can be especially profitable, even if the producer must incur some costs by destroying the crop (*i.e.*, disking or plowing it under).

In Georgia, a complainant alleged that some farmers were planting crops, primarily squash, with no intent to harvest them. An OIG/ASCS task force was formed and found questionable losses in two counties. Additional audit work found that 34 producers, including 2 county committee members, received improper ASCS payments totaling about \$1.8 million. We also questioned the management practices of ASCS county and district officials in one of the counties.

ASCS advised us that correcting the incentive that some unethical producers have to "lose" a crop to a disaster may require legislative change.

- *Increased crop size.* Producers abnormally increased the acreage they devoted to nonprogram crops in anticipation of disaster assistance. In one of the Georgia counties audited, 400 acres of squash had been planted in 1988, and about 10,000 acres in 1992, much of the acreage having been leased. ASCS county officials estimated that only about 500 acres of squash would have been planted that year if disaster payments had not been available.

Squash offers a significant return on investment in case of a disaster because ASCS bases its payments on a potential production of 9,600 pounds of squash per acre, a yield realizable only through optimum farming practices. Disaster payments can therefore exceed \$500 per acre. If producers have no intention of harvesting the squash, they would use



marginal farming practices, and the cost of production could be as low as \$40 to \$50 per acre, yielding a 1,000-percent return from disaster payments.

- *Late revisions to claimed acres.* In some cases, producers in Georgia were allowed to revise acreage reports as much as 17 months after the established reporting dates, significantly increasing the acres on which disaster payments were made. We questioned whether all the revised acres were planted. The ASCS county office accepted the information even though in some cases data was readily available that showed the revised claims were inaccurate.
- *Unreported production.* In several of the States, we found instances of unreported production and incorrectly reported acreages and planting dates. Three producers on one family farm operation had not reported about \$474,000 in sales over the 3 years for which disaster assistance was received.
- *Incorrect crop shares claimed.* In several States, producers reported incorrect ownership interest in their crops. In California and Texas, producers reported 100-percent shares in production even though their contracts with purchasers reduced their risk of loss. Under the contracts, the purchasers (in most cases, packing houses) paid the producers for work performed, regardless of production. Thus, the producers would receive payment for cultivating and harvesting the crop, while the purchasers would be the ones at risk financially for any crop loss.

We initiated investigations of several producers in the two Georgia counties audited and recommended that appropriate administrative action be taken against the county office employees and committee members involved. We believe that the presence of the task force also prevented one of the counties from making \$3.5 million in ineligible payments on 1993 crops.

In addition, we recommended that ASCS collect all overpayments and establish controls to ensure that future production and reported crop shares are reasonable.

### **ASCS Corrects Disaster Payment Excesses on Low-Quality Grain**

We reviewed ASCS' policy for determining disaster payments for a quality loss on 1992 corn. This review disclosed that the loss adjustments ASCS made were

excessive, resulting in unwarranted expenditures. For example, one producer sold his corn at a 20-percent discount because of its poor quality, but ASCS, under its adjustment policy, set the producer's loss at 85 percent and made disaster payments accordingly.

Since ASCS officials were planning to use a similar policy to make quality loss adjustments for other crops, they requested that we determine if the same conditions existed elsewhere. Our further review found that proposed ASCS quality loss adjustments for other crops would also result in excessive payments. ASCS officials promptly developed more realistic adjustments.

ASCS used our review to reevaluate its method of calculating losses due to poor quality.

### **Guilty Pleas in CCC Grain Conversion Cases**

- A Kansas farmer pled guilty to selling approximately 98,000 bushels of CCC-owned corn, valued at over \$189,000. The man was placed on 5 years' probation, and ordered to pay over \$54,000 in restitution.
- A Virginia farmer who pled guilty to converting corn mortgaged to CCC was sentenced to 4 months in prison, given 2 years' probation, and fined \$1,000. Our investigation, conducted jointly with the Federal Bureau of Investigation, showed the defendant converted over \$16,000 worth of corn mortgaged to CCC and over \$81,000 worth of cattle mortgaged to FmHA. The farmer also made false statements in his bankruptcy petition, perjured himself during the bankruptcy hearings, and lied to Federal agents about both his bankruptcy and his grain sales.

### **Improvements Needed in ASCS End-of-Year Review Process**

Our audits of the payment limitation rules and the ASCS end-of-year review process showed that producers continue to evade the rules by restructuring their operations and by misrepresenting their farming operations to ASCS. We concluded that ASCS could save over \$16 million through refinements in its end-of-year review process.

Farmers submit farm operating plans to ASCS to obtain approval for the number of "persons" eligible for separate \$50,000 diversion and deficiency payments. A critical control in this process is the end-of-year review performed by ASCS to determine whether actual

farming operations were conducted in accordance with approved plans. For the 1991 program year, ASCS officials made significant improvements in the end-of-year review process. However, further refinements are needed to ensure that ASCS staff can effectively identify producers who do not comply with farm operating plans.

ASCS performed end-of-year reviews for 836 producers who received about \$79 million in payments in 1991 and questioned payment limitation determinations for 68 producers. They also identified erroneous payments totaling about \$5 million to 39 producers. We reviewed a random sample of the 836 producers and estimated that 181 (22 percent) did not comply with their farm operating plans and/or payment limitation rules and, therefore, were not entitled to program payments totaling about \$16.5 million. Figures 1 and 2 compare the results of the ASCS and OIG reviews.

The following examples illustrate our findings.

- One partnership tried to evade the payment limitation rules by creating a divided-loan device designed to make each of its six partners appear to be actively engaged in farming when they were not. ASCS officials did not detect the device because the divided loan concealed the manner in which the operation was financed. One partner secured the entire loan with his personal assets, but set up a corporation to channel over half the funds to the partnership. Since only one partner secured the loan, none of the other partners were eligible for ASCS payments, but because the partnership appeared to be borrowing from the corporation, all the partners appeared to be eligible. This operation was not eligible for over \$690,000 in payments for 1991 and 1992. The ASCS State office agreed that the partnership was not actively engaged in farming, but did not agree that the financial arrangement was a scheme or device. The ASCS National office has been asked for a determination.
- Another producer, also operating as a partnership, concealed the fact that one of its eight partners received disproportionately more crop income and leased the land that was supposed to be leased by the partnership. The partner submitted altered checks to convince ASCS that the partnership received the farm income, and he submitted an altered land lease agreement to show that the

Figure 1

### Analysis Results 1991 End-of-Year Review Sample

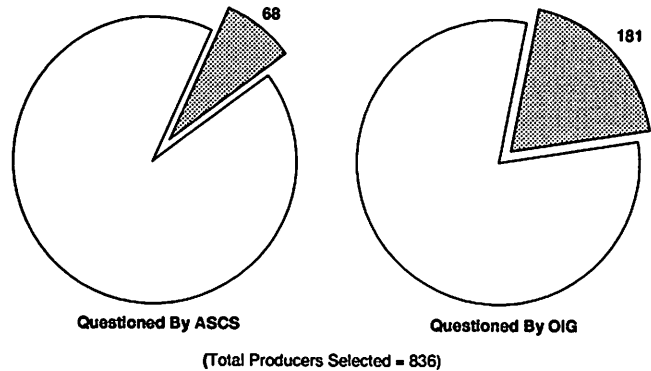
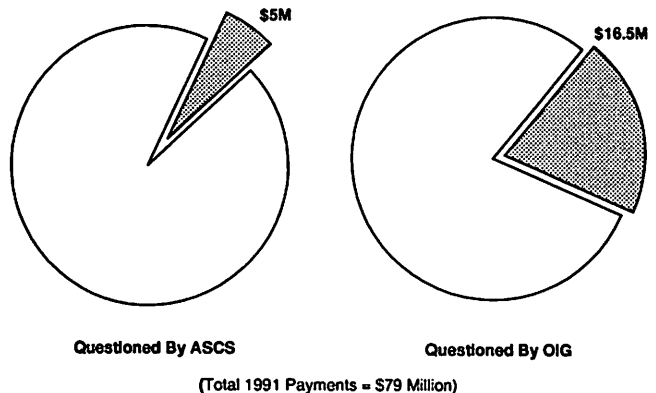


Figure 2

### Program Payments Made to Sample Producers for 1991



partnership had leased the land. The partnership was not eligible for over \$620,000 in payments for 1991 and 1992. The ASCS State office agreed with our finding.

- In other cases, we found producers who received payments but did not have a distinct interest in the farming operation, were not actively engaged in farming, or reorganized without creating a substantive change in the farming operation.

We recommended that ASCS revise its end-of-year review procedures to achieve better control over separation of duties, documentation of review results, and second party reviews. In addition, we recommended that ASCS collect the ineligible payments

associated with the specific cases questioned. ASCS has already issued revised procedures, is reviewing OIG's findings on specific cases, and if appropriate, will take corrective action.

### **Comparison of ASCS and FCIC Records Shows Irregularity in Producer Reports**

An audit in North Dakota showed that four related producers circumvented the payment limit by incorrectly reporting how their farming operations were conducted. We discovered the first producer, a joint venture, after we compared FCIC records to ASCS records, and found that the producer insured crop production with FCIC but did not report an interest in the crops to ASCS. Further review showed that the producer was associated with a partnership, another joint venture, and an individual, all of whom incorrectly reported their farming operations.

We recommended that ASCS perform end-of-year reviews to determine whether the four entities were actively engaged in farming in 1991, the year of our review. We also recommended that the county committees determine if a scheme or device was used to circumvent the payment limit. The entities received about \$360,000 in 1991 payments and would have to repay the entire amount if they misrepresented their farming operations. ASCS agreed with our recommendations.

### **ASCs Asks OIG To Assess Wool and Mohair Marketing Program Abuses**

Wool and mohair prices are supported through payments to producers that are based on a percentage of the producer's sales price. If, for example, a producer sells mohair at 80¢ a pound, ASCS will pay 300 or 400 percent of this price, depending on the support level for that year. This method of payment encourages the production of quality wool and mohair because the higher the price received in the market, the higher the ASCS payment to the producer.

ASCs officials advised OIG of their concerns regarding possibly inflated wool and mohair prices generated by marketing cooperatives. We reviewed the prices and found that two marketing pools were buying the wool and mohair from their members at inflated prices, which made the members eligible for higher price support

payments. The marketing pools required the members to contribute to the purchases, giving the pools the capital they needed to pay the inflated price. ASCS took action during the audit to reduce wool and mohair payments by about \$676,000 for the 1992 program. We are currently working with ASCS to resolve overpayments from the 1991 mohair program. ASCS has also agreed either to change the way it makes program payments or to ensure that proceeds shown on sales documents reflect fair market value prices.

In addition, members of one of the pools were issued mohair price support payments totaling \$21.4 million for the 1990-1992 marketing years even though the elements for a bona fide mohair marketing were not completed until after the end of the marketing year (*i.e.*, title did not pass to the buyer, full payment was not made to the producers, etc.).

We recommended that ASCS recoup the ineligible payments and strengthen administrative controls over sales documents. ASCS officials agreed to take corrective actions to improve controls over future payments. However, they determined that members acted in "good faith" in filing their mohair applications, and do not plan to pursue collection of the ineligible payments for which relief was granted.

### **Producers Received Ineligible Livestock Feed Payments**

Under the Emergency Feed Program (EFP), ASCS may pay producers up to 50 percent of the cost of feeding livestock when the producers' natural feed supplies are reduced as the result of a natural disaster.

We reviewed EFP payments to 54 producers in Texas. We found that 27 producers received about \$515,000 in ineligible payments. Two producers claimed a pasture loss on ineligible land; 6 earned income in excess of the program's \$2.5 million limitation; and 19 were not actively engaged in farming or ranching. These ineligible producers included a rancher with livestock revenue in excess of \$24 million and a producer with combined livestock and business revenue in excess of \$40 million. These producers had improperly certified their income to ASCS.

ASCs agreed to recover the ineligible payments.

### \$139,000 Settlement in False Claims Suit

Two Arkansas farmers and two businessmen agreed to pay \$139,000 to settle a civil suit brought by the Government under the False Claims Act. The men were charged with giving false information to ASCS for emergency feed payments, to FCIC for crop loss claims, and to FmHA for a debt settlement application. In addition to paying \$120,000 of the settlement, the two farmers agreed to drop their pending ASCS and FCIC claims. They also agreed to forgo any future participation in any USDA crop, livestock, or feed program.

### Improved Control Needed Over Cost-Share Assistance for Seeding Practices

For some programs, ASCS shares with producers the costs of protecting and restoring basic land and water resources. One such program involves the seeding of land to establish an adequate cover and control erosion. We performed an audit of the cost-share rates ASCS approved for 4 seeding practices in 18 States.

We found that the selected seeding practices, cost-share levels, rates, and specifications were not based on getting the most conservation benefits for the least cost. Also, reviews of county programs did not ensure that cost-share rates were uniform among adjoining

counties and representative of actual costs. Seven of the 30 selected counties used excessive cost-share rates. Four adjoining counties, located in three States, had cost shares ranging from \$36 to \$78 per acre for the same practice. (See Figure 3.)

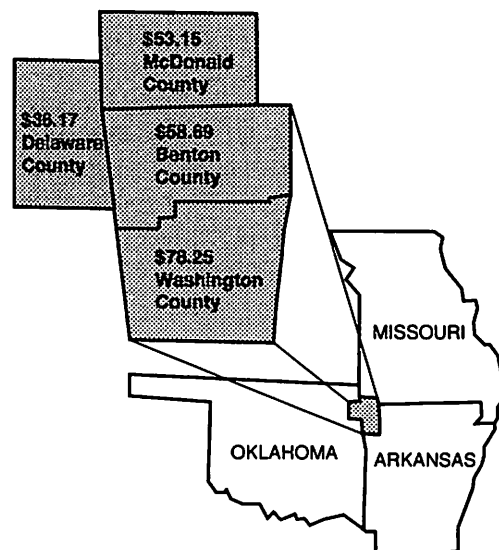
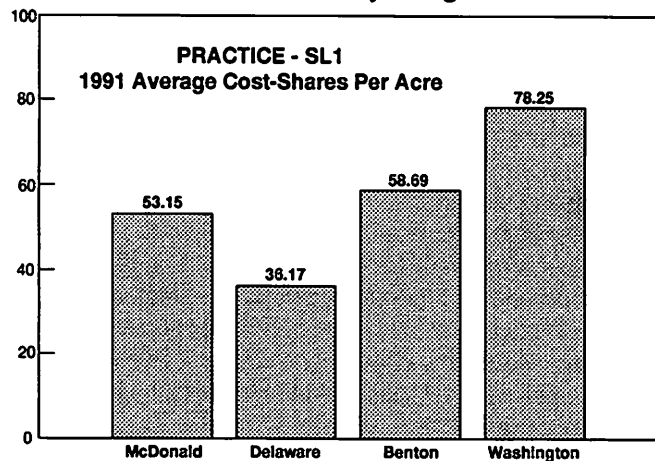
ASCS agreed with our recommendation that controls should be established to ensure that cost-share levels, specifications, and rates be kept to the minimum needed to solve the conservation problems and accomplish program goals. We also recommended that ASCS establish rate comparisons and reasonableness tests among adjoining counties, and that it instruct State offices to test the propriety of cost-share rates during their review of individual county programs. ASCS officials have not concurred with the last two recommendations; however, we are working with them on audit resolution.

### Emergency Conservation Program Applied to Ineligible Lands

Producers who rehabilitate farmlands damaged by floods or other natural disasters may receive cost-share assistance under the Emergency Conservation Program (ECP). Cost-share payments are based on a per-unit rate, up to 64 percent of the actual cost of work performed.

Figure 3

### Cost-Share Rates in Four Adjoining Counties



We reviewed ECP payments totaling about \$680,000 that were made in three Arkansas counties to help repair flood damage along the Red River. We found that cost shares of \$208,000 were ineligible because they paid for the repair of flooded land located between Corps of Engineers' levees and the Red River. The ASCS National Office had waived eligibility requirements for land susceptible to flooding because of its location, but this waiver did not include the land between the levees and the river. Thirty-two producers in two counties were affected.

Five producers also received about \$25,000 in excessive cost shares because practice costs were overstated or falsified. In addition, producers did not maintain the practices for the required lifespan, and ASCS made errors in computing the cost shares.

We recommended that ASCS recover cost shares for the repair of ineligible land, for practices not maintained, and for claims based upon inflated costs, unperformed work, or false certifications. ASCS took action to recover payments relating to improper certifications, inflated cost, and failure to maintain practices. The agency waived recovery of the payments on ineligible land because of the rule that requires the recovery be made within 90 days of payment.

### **Foreign Agricultural Service (FAS)**

FAS expands foreign markets for U.S. farm commodities by gathering, analyzing, and issuing information of foreign market supply and demand; by working to gain access to foreign markets; and by administering programs designed to promote U.S. agricultural commodities in foreign countries. CCC provides direct funding for the Export Enhancement and Market Promotion Programs, donations through the Section 416 (b) Program, differential payments for ocean freight, direct loans through the Public Law (PL) 480 Program, and short and intermediate-term credit guarantees through the Export Credit Guarantee Program (GSM 102/103).

### **Fines for Sales of Seeds to Iraq**

A California corporation, the president of a seed company, and a commodities broker pled guilty to concealing the country of origin of seeds sold under FAS guarantees. The companies and the broker conspired to sell foreign-grown Moroccan bean seeds to Iraq and qualify them for guarantees under the GSM-102 Program by claiming they were of U.S. origin. Under the conspiracy, a company in the Netherlands sold the seeds, through a middleman, to the California corporation, which then applied for and received the guarantee. The seeds were then shipped from Holland to Virginia, where they were transferred to another ship and then transported to Iraq.

The defendants were fined a total of \$7,000 and ordered to pay \$135,000 in restitution. The restitution was demanded in the event that the U.S. Government should be required to honor a claim against the GSM Program by the Banca Nazionale del Lavoro, an Italian government-owned bank. Employees of the Atlanta branch of this bank were found to be involved in multi-million-dollar fraud practices with sales of U.S. commodities to Iraq.

# 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 \$724 million.

### New Audit Requirements Will Improve Compliance With Marketing Orders

Marketing orders regulate the quantity and quality of certain fruits, vegetables, and specialty crops. There are 39 active marketing orders and agreements covering 30 commodities. Administrative committees (comprised of growers, handlers, and sometimes nonindustry representatives) are responsible for administering marketing orders and ensuring compliance with their terms.



Raisins are processed by grade and size, as regulated by a marketing order designed to supply a high quality of fruit to consumers. AMS photo. (From "This Is AMS," March 1991).

Six months ago, we reported that we had undertaken a joint project with AMS to help committees establish effective compliance programs and help AMS develop methods to evaluate committees' compliance efforts. Prior to this project, each committee independently determined its own need for audit work and the standards to be used. During this reporting period, in collaboration with AMS personnel, we developed uniform audit procedures to be used by committees in conducting reviews at handlers' places of operation to verify that handlers are complying with the marketing orders.

We worked with AMS staff and consulted various committee representatives to develop model compliance profiles which the committees could use to formulate their respective programs. We also participated in a workshop where these compliance reforms were discussed with representatives of all committees and interested parties. We developed new audit procedures, which will evaluate whether the handlers paid the proper amount of assessments to the committees and whether they met marketing order provisions governing the amount of commodities that can be purchased, sold, or disposed of. The procedures should provide uniform treatment of handlers and growers and give assurance that the committees have a sound basis for determining marketing order violations.

During FY 1994, we will continue to work with AMS to improve the overall enforcement of marketing orders by the committees. Specifically, we plan to develop review guides that will help AMS assess the effectiveness of committees' compliance efforts.

### Records Monitoring in Pesticide Programs Needs Some Reevaluation

AMS administers two of the Department's newest programs: the Pesticide Data Program (PDP) and the Pesticide Recordkeeping Program (PRP). The PDP is a multiagency effort to collect and analyze information on pesticide residues on fruits, vegetables, and other farm products. The PRP requires pesticide sprayers, generally farmers, to keep records of their application of restricted-use pesticides. Both programs rely on cooperation with the States: under the PDP, AMS uses residue data collected by the States, and under the PRP, AMS allows the States to monitor the farmers' compliance with recordkeeping requirements.

We assessed AMS' plans to direct the States' collection of data and to oversee the States' monitoring of recordkeeping compliance.

We found that AMS needs to reevaluate whether recordkeeping monitoring could be performed more efficiently by the Department's nationwide network of field offices rather than by the States. AMS estimates that 1 million farmers must start keeping records of their use of restricted-use pesticides. We believe USDA's farm program field offices could monitor this recordkeeping on a sampling basis without adding unduly to their workload, and that they could provide

more reliable statistics. We will continue assessing the efficiency of these programs in FY 1994.

We also found that AMS improperly carried over \$1.4 million of the \$11.8 million FY 1991 PDP appropriation into FY 1993. The \$1.4 million should have been returned to the Treasury, along with any FY 1992 funds unused by the end of FY 1993. The funds were unused because of delays in starting the new pesticide programs and in receiving initial budget authority. AMS obligated the funds to reimburse States under the cooperative agreements.

AMS requested a legal opinion on the yearend obligations. The opinion found that AMS could not obligate funds beyond 1 year after the appropriation year. The opinion also noted that the States' work for AMS should have been carried out under contracts rather than cooperative agreements, but that AMS did not have the authority to enter into either arrangement with the States.

We recommended that AMS reevaluate how it will monitor farmers' compliance with recordkeeping requirements. AMS agreed to do so. We also recommended that it deobligate improperly obligated funds and establish controls to ensure yearend obligations are proper. AMS agreed to return unused funds to the Treasury and is taking steps to secure authority to enter into contracts or agreements with States for sampling and testing commodities for pesticide residues.

### **Commodity Boards Incurred Excessive Costs**

AMS oversees 11 commodity research and promotion boards. These boards are appointed by the Secretary and levy assessments on producers to pay for nationwide promotion and research activities of their commodities.

We evaluated AMS' oversight of the boards' administrative expenses and contract costs. In FY 1992, the 11 boards received \$240 million in producer assessments. We reviewed activities at two of the largest boards, which received \$63 million in assessments.

AMS could improve its oversight of the boards' use of administrative funds. We found:

- One board charged unnecessary costs for an employee retirement agreement the board was not obligated to make.

- The other board charged administrative salaries in excess of the regulatory limit.
- Both boards charged questionable travel expenditures for items such as country club fees and in-room movies at hotels.

Also, AMS and the boards need to more effectively monitor contract expenditures. One board paid a contractor for unauthorized markups and commissions, and incurred questionable contract costs totaling over \$360,000.

We recommended that AMS develop procedures for more thorough reviews of the boards' administrative and contracting costs, and that the boards be required to strengthen their controls over costs. We also recommended that AMS determine whether the administrative staff salary limit is high enough.

AMS officials maintained that the "unauthorized markups and commissions" were authorized, but they agreed with our recommendations and are taking corrective actions.

## **Food Safety and Inspection Service (FSIS)**

Through its inspection activities, FSIS ensures that the Nation's supply of meat and poultry products is safe, wholesome, and correctly labeled. FSIS' appropriations for FY 1993 totaled approximately \$503 million.

### **Unsanitary Conditions at Meat Processing Plant Prompt Compliance Reforms**

The Secretary requested that we review inspection activities at a Nebraska meat processing plant which was the subject of a network newscast depicting unsanitary conditions. We reviewed operations at the plant, with special focus on the management control process for inspection activities. We confirmed the reported practices and found that the plant had a history of sanitation violations, especially in the areas of rodent control and facility cleanliness and maintenance.

The deficiencies resulted, in part, from ineffective FSIS field supervision and uncooperative plant management, which engaged in short-term corrective actions. The FSIS regional office, area office, circuit supervisor, and inspector-in-charge needed to provide better supervision to the in-plant inspection staff and help it find solutions to recurring chronic deficiencies.

FSIS stepped up its enforcement action against the plant and is holding plant managers to a schedule of corrective actions. We recommended that FSIS also implement microbial contamination testing at the plant.

We subsequently returned to the plant and found that substantial improvements to the plant facilities and equipment were either completed or well underway. We did find some continuing deficiencies in plant sanitary practices, but none which affected edible meat products. However, plant management continues to take corrective actions only as required by the FSIS inspection staff. The plant has not developed effective plans for preventive maintenance for plant facilities and equipment and to provide assurance of proper sanitation practices throughout the plant. In our opinion, the plant management's continued attitude of minimally meeting FSIS requirements will require continuing intensive supervision from the inspection staff to assure the plant's meat products are safe and wholesome. We also provided testimony on our review to the House Government Operations Subcommittee on Human Resources and Intergovernmental Relations.

During the review, we found that FSIS had no mechanism to identify plants, like the Nebraska one, that potentially pose health risks. FSIS officials recognized their need to improve oversight of the inspection process and asked us to help them reform their compliance review program. We concluded that FSIS needed an inspection policy for plants that posed problems because of their age, their poor maintenance, and the type of cattle they slaughtered. With such a policy, FSIS could take a proactive stand against plants whose managers permit multiple violations of product and facility standards.

We recommended that regional and area office personnel take proactive actions on problem plants rather than waiting to react through administrative enforcement actions. We also recommended that FSIS develop a problem plant profile and compile a list of plants that fit the profile for followup review.

Besides revising its compliance activities, FSIS acted decisively to ensure that management will adequately respond to plant compliance problems. FSIS officials advised that our recommendations will be incorporated into their plans to achieve pathogen reduction and to improve oversight of plant inspection practices.

An auditor and investigator worked with FSIS officials to improve their compliance review program. The team developed a comprehensive proposal which when implemented should result in quantifying establishment of health and food safety performance. It will identify high-risk plants for action by FSIS management and for compliance review purposes, and will also establish a complaint tracking system.

### **Meat Companies Sentenced for Selling Misbranded and Adulterated Meat**

We reported in FY 1990 and 1992 that two affiliated meat-processing companies, the owner, and one employee were found guilty in Iowa of selling more than 2.5 million pounds of misbranded meat product over a 4-year period. In July of this year, the defendants appeared for sentencing. The companies were fined \$150,000 each; the owner was sentenced to 21 months in prison and fined \$650; and the plant employee was given 2 years' probation and fined \$600.

### **Poultry Plant Employee Pleads Guilty to Tampering**

OIG investigated a product-tampering case in North Carolina in which wire rods had been placed in chickens at a poultry processing plant. With the cooperation of plant employees, investigators were able to identify the employee responsible. The contaminated product was secured and held by plant personnel, and the employee was fired. He pled guilty to charges of product tampering and was sentenced to serve 6 months in prison, followed by 4 months' home confinement. He was also ordered to pay \$4,213 in restitution to the processing plant.

### **Poultry Processor Guilty of Bribery**

The owner of a poultry processing plant in Indiana pled guilty to two counts of bribing an FSIS official. The owner gave \$540 and over 10 dozen eggs to an FSIS supervisory veterinary medical officer in an attempt to have the officer approve a Grant of Inspection for the plant, even though the plant did not meet the requirements for a federally approved processing facility. Sentencing is pending.



# Natural Resources and Environment

## Forest Service (FS)

### FS Needs To Strengthen Controls Over Estimating Timber Volumes Available for Sale

In FY 1992, the FS collected approximately \$1 billion from the sale of national forest timber. Timber "cruising" is the primary method for estimating the volume of timber which will be included in a proposed sale. It provides the basis for timber purchasers to bid on a sale and the basis for the FS to bill timber purchasers on "tree measurement" timber sales.



Forest Service staff "cruising" or measuring a sample tree to estimate volume for a tree measurement sale. OIG photo.

Tree measurement sales differ from other types of sales in that the actual volume of timber harvested is never measured. The purchaser of a sale on which actual volume is measured pays according to that volume; these are called scaled sales. The purchaser of a tree measurement sale pays according to the estimate of the volume of timber available for harvest determined by the cruise. If the purchaser harvests less or more than what was estimated, this would not be known.

Because the potential for theft on tree measurement sales is reduced (insofar as there is no incentive for purchasers to conceal timber for which they will be billed anyway), the FS has planned to convert most of its sales in the upcoming years to tree measurement sales. Consequently, the amount of timber sale revenue will be directly affected by the accuracy of timber

cruising estimates. We conducted an audit to determine if the FS has adequate controls to ensure the reliability of its cruises.

We concluded that the FS could not be sure that its cruises were reliable, supportable and cost effective. We found the following control weaknesses, which can diminish the quality and integrity of timber cruising.

- Procedures needed to be established to ensure the accuracy of FS cruises. For 10 of 77 sales reviewed, sampling standards were not met, and prospective purchasers were not notified of the deficiencies. FS regions should inspect all cruises to validate them and prevent the sale of timber when any cruise does not meet sampling standards.
- Cruise planning needed to be improved. FS cruisers were often not proficient or trained in the various sampling methods, which differed depending on terrain, species, mix, and distribution; consequently, there was no assurance that cruisers were selecting the most cost-effective method. The cruises themselves were not planned to obtain the most accurate estimate of a species that represented a high percentage of a timber sale's value but a low percentage of the sale's volume. For example, we noted on one sale, whose volume had been both estimated and subsequently measured, that the estimate of the total volume was accurate to within 4 percent of the measured volume, but that the estimate of the volume of the high-value species on the sale was off by 22 percent. The high-value species accounted for almost the entire value of the sale.
- The FS needed to upgrade the professional development and career progression of its cruising staff. Low pay and limited career advancement for cruisers impede the development and retention of a quality cruising workforce.

FS officials are implementing corrective actions.

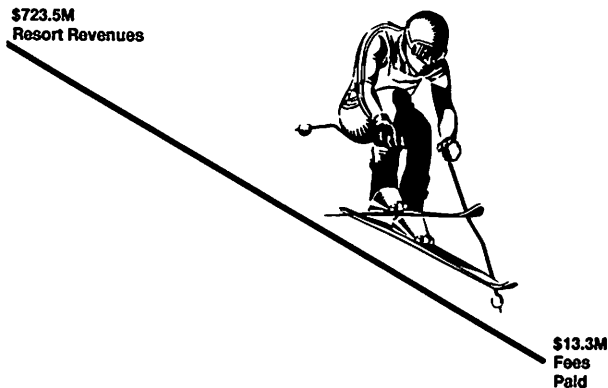
### Large Resorts Generate Millions in Revenue, Pay Little in Fees

The FS issues long-term permits to private businesses to operate ski and summer resorts on FS lands. In FY 1991, fees from recreation permits totaled \$28 million, with the top 75 winter ski resorts paying almost half of this total, about \$13.3 million. However,

winter ski resort fees represented less than 2 percent of the corresponding total sales revenue of \$723.5 million.

Figure 4

**Fees Paid Versus Revenues Earned  
By Top 75 Ski Resorts-FY 1991**



Top ski resorts paid less than 2% of revenues in FS fees.

FS managers cited the difficulty and complexity of developing a fee system which fully compensates the Government but is also equitable to permittees. They asked us to help them analyze alternatives as part of our review of the current system.

We concluded that the existing fee system, developed by the FS in 1965, is outdated and, among other things, does not account for the significant appreciation of FS land. Several permit holders received large gains (in one case, a \$40 million profit) from the sales of their resorts on FS lands, but the FS did not share in these gains.

We recommended that the FS establish a fee system that would ensure a fair market return. Such a system could base fees on a simplified graduated percentage of sales. We also recommended that the FS periodically appraise resort lands to update the system. Until such a system is in place, the FS needs to recover a share of gains through the use of a surcharge when resorts are sold at a premium.

We recommended that while the FS is developing a fair market, value-based fee system, it correct deficiencies in its current system. We noted the following problems.

- The fee system does not clearly define what resort assets and income are subject to fees. As a result, FS staff at each forest use their own interpretations

and arrive at inconsistent fees. For example, one forest charged a fee on sales of travel packages while another forest did not.

- The fee system does not have a progressive rate structure for summer resorts even though it has one for winter resorts. Under a progressive rate structure, resorts pay higher fees as their revenue increases.
- The fee system does not collect fees on undeveloped FS land reserved by resorts but not used in their operations. One large ski resort had a total of 8,060 acres under permit but developed only 3,500 acres and paid fees only on this part. The resort, in effect, was using 4,560 acres of FS land for which it paid no fee.
- FS reviews of financial data submitted by resorts do not ensure that fees are properly calculated. Unreported revenue and ineligible assets would significantly understate fees owed to the FS. Of the four large resorts we reviewed, we found that fees had been understated by about \$850,000 over a 3-year period.

We recommended that the FS centralize responsibility for negotiating and reviewing permits of large resorts, establish standards for determining areas subject to fees, implement progressive rates for summer resorts, and establish fees for undeveloped land based on a percentage of the appraised value of the land.

FS officials are currently formulating an alternative fee system that would incorporate many of our audit recommendations. However, they disagreed with our recommendation to apply a surcharge while the current fee is still in effect. We are working with the agency to resolve this issue.

**Improvements Needed in FS  
Law Enforcement Program**

During this reporting period, the FS made several changes in its law enforcement program as a result of our 1988 review of its investigative activities. Regional foresters were directed to assess their law enforcement operations and to submit plans to the Chief of the FS to bring those operations into compliance with investigative standards developed by the President's Council on Integrity and Efficiency (PCIE). The FS also issued a new policy requiring supervision of forest-level special

agents by regional special agents and use of an interim law enforcement case management system for tracking all felony and serious misdemeanor cases.

While we believe that these changes meet the minimum PCIE guidelines, their effect cannot be assessed until they are fully implemented and until a national case management system is in place. The FS is continuing to make additional changes to bring it into further compliance with the PCIE standards. A substantial amount of work remains to be done by the FS in this area.

In addition to the issues raised in our earlier review, we have continued concerns that FS uniformed law enforcement officers are not always supervised by law enforcement personnel. FS law enforcement officers perform a full range of law enforcement duties on the national forests and may assist special agents in conducting investigations. Currently, the law enforcement officers, except when conducting investigations under the supervision of special agents, may report to district rangers or forest supervisors, who are not law enforcement officials. We believe that this reporting structure promotes neither proper technical and professional guidance from experienced law enforcement supervisors nor effective coordination in ensuring that criminal activity uncovered by law enforcement officers is conveyed to special agents.

We will continue to work with FS officials as they develop their law enforcement program and will monitor FS progress in meeting the PCIE standards.

### **Soil Conservation Service (SCS)**

SCS administers programs designed to help protect and improve land and water resources. SCS carries out two major activities: conservation operations and watershed and flood prevention operations. For FY 1993, SCS appropriations totaled more than \$800 million.

#### **Rescheduled Status Reviews Ineffective**

The 1985 and 1990 farm bills encouraged farmers to reduce soil loss from erosion. The acts require producers to either apply conservation plans approved by SCS or forgo USDA benefits. To test compliance, SCS conducts status reviews each year on about 5 percent of the Nation's highly erodible land. SCS granted some exemptions from the conservation requirements during

1991, but it rescheduled its reviews to reassess the conditions on these tracts in 1992.

We have worked closely with SCS on its management systems since the acts were implemented. We conducted a series of audits of the program and worked together with management to identify and correct weaknesses. We also attended training programs with SCS employees to learn how complex functions were to be performed, and we made several formal presentations to groups of SCS and State and local officials to provide them with the results of our reviews and show them areas where greater attention is needed.

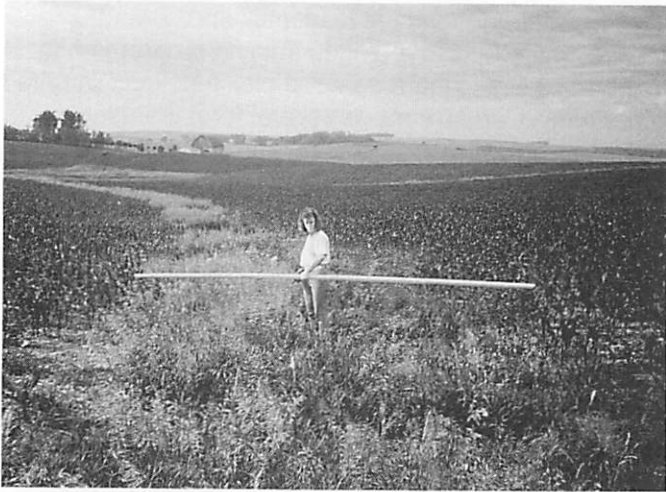
We evaluated SCS' 1992 rescheduled reviews. We looked at 45 tracts to determine if SCS followed its procedures in performing the reviews and if producers were reducing soil erosion according to their plans. We found 20 plans that showed that the producers had still not applied their conservation practices in 1992. SCS continued to avoid determining whether these producers were properly practicing conservation, even though SCS procedures require it to give the producers increased technical assistance until the plans are implemented.

- Eight producers continued to "not actively apply" their plans in 1992, but SCS had only identified two of the tracts as "not actively applied."
- Twelve producers were excused from complying with their plans in 1992 because SCS approved "minimal impact" exemptions, alternative conservation systems, or substitute practices.

A lack of controls resulted in SCS continuing to grant exemptions in these cases. Also, SCS' attempts to give farming operations flexibility sometimes conflicted with compliance testing. For example, SCS did not have an effective way of measuring the effects of complex crop rotations when those rotations occurred over 10 years or more.

We recommended that SCS strengthen controls over granting exemptions to conservation requirements. The recommendations provided for closer supervision of field offices by area and State officials, more specific documentation requirements, improved technical assistance, and revision of procedures. In addition, we recommended that SCS develop a way to test the effectiveness of extended-term crop rotations.

SCS officials agreed with our recommendations but proposed some alternative actions they believe will correct the problems we noted. We are working with agency officials to achieve management decision on these matters.



An OIG auditor measures a grass waterway. The farmer's efforts did not meet conservation requirements because the waterway did not comply with width, depth, and shape specifications. OIG photo.

# Science and Education

## Agricultural Research Service (ARS)

### Research Center Charged With Nepotism, Improper Expenditures

ARS asked us to help resolve an anonymous complaint that alleged unethical management, improper accounting, and inappropriate use of Federal research funds by the Children's Nutrition Research Center in Houston, Texas. Through a cooperative agreement between ARS and the Baylor College of Medicine, the Center receives approximately \$8 million each year for research on the nutritional needs of children. The complainant charged the Center's administration with nepotism, diversion of funds to nonresearch use, manipulation of accounts, and failure to return income from sponsored project activities.

Our audit disclosed that ARS had already advised Baylor College to remove the appearance of nepotism in the Center's staffing. ARS officials have advised us that as of September 30, 1993, the staff in question have either resigned or have been reassigned. In addition, an amendment to the cooperative agreement between Baylor and ARS prohibiting nepotism in key management positions has been signed. The Center had also authorized the improper use of \$58,000 in project funds to purchase artwork commemorating living members of its Council on Scientific Advisors, and it did not seek ARS' approval to use about \$137,000 earned from nutrition testing done with ARS-funded resources. ARS had reported that meetings with Baylor College of Medicine have been scheduled to resolve the financial issues, clarify program income policies, and request that the funds in question be returned for use in the Children's Nutrition Research Center program income account.

We recommended that ARS negotiate a target date to reassign the family members at the Center, and that the Center reimburse the projects for the amount spent on commemorative artwork and for the income from the sale of nutritional testing. ARS officials agreed to take corrective action.

## Water Quality Initiative

### Water Quality Projects Need Closer Monitoring

The Department began its water quality initiative in 1988; the following year, it established the Working Group on Water Quality. The Working Group coordinates water quality efforts within the Department by formulating departmental policy, coordinating water quality activities, and monitoring the results. Currently, nine USDA agencies are involved in water quality activities of some kind. The Department's annual funding for this interagency effort has exceeded \$200 million in each of the past 3 fiscal years.

We assessed the performance of the Working Group and concluded that it provided the needed direction on water quality but that it needs to review agency activity more closely. Records for 6 of 11 water quality projects approved for Nebraska and Kansas in 1990 and 1991 showed that the evaluation processes did not measure the environmental impact of the projects. Project managers tried to get help from other sources for monitoring activities, but they were unsuccessful. In addition, managers did not prepare and submit progress reports to the Working Group for evaluation of project management. The Water Quality Special Project will not be funded after 1993, but its replacement program, the Water Quality Incentives Program, also makes no provision for monitoring.

We recommended to the Assistant Secretary for Science and Education that program monitoring be performed for all USDA projects designed to reduce agricultural pollutants. We also recommended that annual reports on water quality be prepared and used to evaluate project effectiveness.

The Working Group has already asked the Deputy Secretary to encourage agencies to provide funds for monitoring the ASCS Water Quality Incentives projects in 1995. We are working with the group to develop monitoring standards and reporting requirements for future USDA projects.

# 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 June 30, 1993, about 940,000 borrowers owed FmHA about \$44 billion. In addition, FmHA guaranteed more than \$5.4 billion in loans made by private lenders to about 51,000 borrowers.

### Rural Housing Assistance

FmHA approves loans for Rural Housing (RH) and Rural Rental Housing (RRH) projects. These projects provide housing in rural areas for persons with low or moderate income and for persons aged 62 or over.

### Fraud Schemes Uncovered in RRH Projects

- An RRH developer in New York was convicted on charges of extortion and making false statements about construction costs which were not eligible for FmHA financing. By holding back payments to the contractor for construction of an RRH project, the developer, who was also an attorney, got the contractor to build a pond, valued at \$25,000, on his personal property. The developer was sentenced to 5 months in prison and 5 months in a community confinement facility. He was also given 19 months' probation, fined \$25,000, ordered to pay \$18,750 to cover his costs of imprisonment, and disbarred as an attorney. This investigation was a joint effort with the FBI.
- We previously reported that a former executive director of an RRH project in Massachusetts pled guilty to a five-count indictment charging him with converting FmHA reserve account funds. The investigation found that the director withdrew \$155,000 in reserve funds to finance a personal investment for a third party, for which he was promised an unusually high interest payment. He was unable to replace the funds when the third party stole the money and disappeared. The director was recently sentenced to 3 years' probation and ordered to pay \$155,000 in restitution. The third party pled guilty to Federal and related State charges and was sentenced to 15 to 20 years' incarceration.

### Procedures Do Not Ensure Project Funds Use

FmHA received legislative authority to provide rental assistance to RRH tenants in 1977. Prior to that time, rent subsidies were provided to RRH tenants by the U.S. Department of Housing and Urban Development (HUD). This funding arrangement stays in effect as long as the projects remain in the program. Approximately 1,600 FmHA borrowers with loan obligations totaling about \$1.1 billion, representing about 10 percent of the RRH loan portfolio, receive direct Section 8 subsidies from HUD.

We statistically selected 285 projects to determine if the loan funds were properly used and if the provisions of the loan agreements were complied with. We found the following conditions.

- In about 26 percent of the cases reviewed, the borrowers used funds improperly or could not account for all funds. We estimated that about \$11 million was used for unauthorized or questionable purposes. In some cases, FmHA identified questionable fund use, but had not taken appropriate remedial actions. In other cases, FmHA officials could not analyze borrowers' finances properly because borrowers had not submitted complete financial reports as required.
- For about 42 percent of the projects reviewed, the borrowers accumulated excess funds in reserve accounts. Loan agreements generally require that once reserve accounts exceed 10 percent of the loan, the excess should be applied promptly to the loan balance. We estimated that projects had excess funds totaling about \$43 million with no uses planned for the money.
- About 35 percent of the projects continued to receive an interest credit subsidy even though reserve accounts were fully funded and the need for continued subsidies was questionable. When reserve funds exceed the amounts required by 10 percent, the interest reduction on a project receiving HUD assistance should be adjusted or canceled. We estimated the borrowers in our universe received about \$5.8 million of unneeded interest credit subsidy annually.

During our audit, FmHA proposed regulations to require FmHA's countersignature before borrowers can withdraw funds from their reserve accounts. FmHA also

strengthened servicing to follow up when borrowers do not properly account for funds. We recommended that the agency evaluate the need to reduce or cancel interest credit subsidies for projects with excess funds. Agency officials agreed and have developed a corrective action plan.

### **Restitution Ordered in Rural Housing Fraud**

An RH loan borrower in Virginia was sentenced to pay FmHA over \$15,000 in restitution for illegally receiving interest credit benefits. Over a 7-year period, the borrower misled FmHA about his work, forged signatures on his income verification forms, and grossly underreported annual household income.

### **Farm Loans**

#### **Conversion of Collateral Still Impacts FmHA**

- Three catfish farmers in Louisiana pled guilty to charges of illegally selling over \$99,000 worth of catfish mortgaged to FmHA. Sentencing is pending.
- A Louisiana farmer was sentenced to serve 1 year in prison, followed by 2 years' probation, after he pled guilty to charges of selling cotton mortgaged to FmHA. The investigation disclosed that the farmer received more than \$50,000 from 1989 mortgaged crop sales and \$27,000 in Federal crop insurance and disaster payments, while owing FmHA more than \$110,000.
- An Oklahoma cattle rancher, his son, and another man pled guilty to conspiracy charges for attempting to conceal their sale of cattle mortgaged to FmHA. The rancher sold the cattle under the names of his son and the third individual and used the proceeds without applying any to his FmHA loan. The three were ordered to pay full restitution of over \$50,000.

#### **Lenders Overpaid on Guaranteed Loan Writedowns**

The Agricultural Credit Act of 1987 allows delinquent farm borrowers to restructure their FmHA loans and continue farming. In order to restructure direct loans, FmHA developed a complex computer program that analyzed the farmers' financial situations and calculated the amounts that would be written down. However, FmHA developed no such computer program for

guaranteed loans. Restructuring a guaranteed loan is more complicated than a direct loan because it involves, among other things, the disbursement of cash for both principal and accrued interest.

We reviewed 71 loss payments totaling \$7.8 million on guaranteed loans for 55 borrowers in 11 States. The review comprised 74 percent of the dollars paid in the States between January 1988 and December 1991. We found that the lenders made debt writedown errors in 84 percent of the cases we reviewed, resulting in about \$5 million in overpayments.

Lenders incorrectly computed cash-flow projections, net recovery values, present value of the payments for the restructured loans, and the amount of losses. For example, for 35 percent of the borrowers reviewed, lenders did not determine the present values of the restructured loans. Without this value, FmHA could not determine if it was to the Government's advantage to pay for a loss on restructuring of the borrower's debt instead of paying for a loss on liquidation of the loan. Because FmHA did not have an effective system in place to detect the errors, it reimbursed lenders for the writedowns that were disadvantageous to the Government.

We recommended that FmHA recover loss overpayments and review the loss payments we did not audit. We also recommended that FmHA design claim documents and worksheets for the writedown determination, and that its regulations make lenders responsible for preparing and submitting the loss claims. FmHA agreed with our recommendations, and we are working with the agency to achieve management decision.

#### **Borrower Sentenced for Falsifying Application for Debt Settlement**

An FmHA borrower who provided false information in an attempt to reduce his debt by over \$378,000 pled guilty in Nebraska. He was sentenced to a year in prison and was ordered to pay \$168,500 in restitution.

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

#### **23 Convictions in Louisiana Fraud Cases**

Six months ago, we reported that 17 farmers in Louisiana had pled guilty to charges of crop insurance fraud.

Another six have now also pled guilty. The farmers were charged with mail fraud in connection with over \$2.4 million in fraudulent crop insurance claims. The claims were filed from 1987 to 1990 and reported nonexistent crop losses on soybeans, rice, and wheat. The farmers, mostly acting independently, concealed their true production by selling it under fictitious names.

Seven of the original defendants had been sentenced earlier. The other 10 recently received sentences of 3 years' supervised probation. One was fined \$10,000; the other nine were ordered to pay \$296,500 in restitution. Sentencing for the last six defendants is pending. These individuals collectively submitted false crop insurance claims of more than \$963,000. Charges against more farmers are expected.

### **Loss Adjustment Overpayment Errors**

FCIC offers crop insurance to cover unavoidable losses due to adverse weather, insects, and crop diseases. Crop insurance is sold primarily through private companies that are reinsured by FCIC, which pays for most of the insurance losses. In 1991, FCIC paid \$952.4 million in indemnities on 202,835 claims. We reviewed the 1991 loss adjustment process and sampled claims to determine whether indemnities were correctly paid for claims processed as of June 12, 1992.

Based on our sampling, we estimate that claims were overpaid by at least \$8 million. We found that loss adjusters did not verify or determine correct production, acreage, and unit division (*i.e.*, which farm grew which crop). Reinsured companies shared in little of the risk involved in losses on reinsured policies; consequently, they had little incentive to ensure that claims were paid correctly. Furthermore, corrective actions recommended in a previous audit of FCIC's loss adjustments had not been fully implemented; therefore, similar errors continued.

We recommended that FCIC (1) inform all its reinsured companies of the errors we found and the proper procedures to follow, (2) emphasize the determination of correct production, acreage, and unit divisions in its training programs, (3) define an error and an acceptable error rate by which to evaluate reinsured company performance, and (4) implement corrective actions from the previous audit. We also recommended that FCIC rewrite the standard reinsurance agreement to assign more risk to the reinsured companies. FCIC generally

concluded with our recommendations or provided acceptable alternatives. FCIC did not agree to rewrite the standard reinsurance agreement to assign more risk but agreed to do further study of the assigned risk fund. Furthermore, FCIC has not yet agreed to implement all the corrective actions from the previous audit. We are working with FCIC officials to achieve a management decision.

### **Rural Development Administration (RDA)**

RDA makes direct and guaranteed loans to promote economic development in rural areas by financing community facilities and assisting business development. As of June 30, 1993, about 10,000 borrowers owed RDA about \$4.8 billion. In addition, RDA guaranteed more than \$1 billion in loans made by private lenders to about 11,000 borrowers.

### **Business and Industrial (B&I) Loan Program**

RDA administers the B&I loan program to develop business, industry, and employment in rural communities. The program achieves this purpose by guaranteeing loans through private credit sources to borrowers whose industry can benefit the community.

### **Auction Executives Sentenced for Theft of Liquidation Proceeds**

The owners of an auction house in New York were convicted in Wisconsin for keeping the proceeds from the bankruptcy liquidation sale of \$500,000 worth of collateral from a B&I borrower. The owners bought the auction house just after the collateral was sold. Proceeds from the sale were deposited in a trust account to await check clearance, but the new owners failed to turn the money over to RDA; instead they sent it to New York by electronic transfer. The money was then deposited into their corporate accounts and used for various business and personal expenses.

The two auction house owners had been indicted for converting Government property; one had entered a guilty plea before the trial, and the other was found guilty at trial. The first was sentenced to serve 16 months in jail and given 3 years' probation. The second was sentenced to 18 months in jail and given 3 years' probation. Both were ordered to pay \$497,000 in restitution.



## **Improvements Needed in Monitoring Loan Servicing**

Lenders eligible to receive B&I guarantees include any chartered Federal or State bank, savings and loan association, etc., that is subject to credit examination and supervision by a Federal or State agency. The lender is responsible for servicing the loan, and RDA is responsible for seeing that servicing is properly accomplished.

We reviewed 19 borrowers with B&I loans in 7 States to determine if RDA's procedures ensured adequate servicing of the loans by lenders. We found that RDA needed to strengthen its monitoring of lenders. RDA had not conducted all required visits to lenders and had not always identified lender and borrower noncompliance.

For 17 of the 19 borrowers reviewed, we questioned the lenders' servicing of the loans and the borrowers' compliance with their loan agreements. Some of the problem cases involved potentially negligent servicing by lenders on loans totaling about \$15.7 million of the \$62.4 million in funds obligated for the 19 borrowers. (After our audit, one of the borrowers defaulted, and the lender claimed a \$2.5 million loss on the loan.)

Lenders had not adequately analyzed the borrowers' financial positions or ensured that the borrowers complied with their loan agreements. In the absence of proper lender monitoring, borrowers had incurred unapproved debt and used funds for unauthorized purposes, adversely affecting their cash flow. In addition, lenders had not timely updated financing statements for the collateral securing the loans and had not ensured that property taxes were paid by borrowers. In some instances, liens were filed by third parties against the collateral securing the guaranteed B&I loans.

By law, RDA cannot withdraw its guarantee for negligent servicing until a loss has been incurred. However, according to instructions, whenever RDA becomes aware of possible negligent servicing by the lender, it should notify the lender in writing that the servicing may cause the guarantee to be unenforceable to the extent that it causes a loss. RDA officials were reluctant to put lenders on notice for negligence because they believed the notice may discourage lenders from participating in the program. However, the Office of the General

Counsel advised us that without such a notice, RDA weakens its case in future legal actions.

We recommended that RDA strengthen its monitoring and enforcement procedures by ensuring that State field offices perform all required site visits and immediately notify lenders in writing that negligent servicing may result in a reduction of the guarantee. RDA agreed with the recommendations and will, for example, check to determine that field visits are made through the use of management reports, assistance visits, and program evaluation reviews.

# Financial, Administrative, and Information Resources Management

## Financial Management

The Chief Financial Officers (CFO) Act of 1990 requires us to audit the Department's financial statements. During this reporting period, we completed audits of the FY 1992 financial statements for the Federal Crop Insurance Corporation, Rural Electrification Administration, Rural Telephone Bank, Commodity Credit Corporation, Farmers Home Administration, Food and Nutrition Service, Forest Service, and the USDA consolidated statements. The audits resulted in unqualified (clean) opinions, except for the Forest Service and the USDA consolidated statements. These received adverse opinions, largely because the Department's corrective actions have not yet had sufficient effect on the deficiencies found in the FY 1991 statements. Many of these deficiencies require long-term corrective action which cannot be completed in a single year.

Since completion of the FY 1991 financial statement audits, the Department and its agencies have put considerable effort into improving their financial systems and the financial reporting process. The Department established a coordinating committee of senior financial management officials to provide guidance and ensure consistency during the consolidation of the FY 1992 financial statements. The committee formed working groups in such areas as financial statement form and content, elimination of entries, credit reform accounting, and quality control. OIG, as a member of the committee, provides technical assistance to the working groups. The Department also initiated the Financial Information System Vision and Strategy (FISVIS) project, whose aim is to develop a blueprint for a single integrated financial system that meets all Treasury and OMB requirements, incorporates all generally accepted accounting principles, and fulfills the needs of USDA. We believe the FISVIS project will improve the quality of financial information within the Department.

Although USDA has placed greater emphasis on financial accountability, needed improvements will require changes in financial processes and systems. Such changes are long term in nature, requiring many months of effort. As a result, inaccurate and inconsistent application of accounting principles, incomplete or inaccurate accounting records and supporting documentation, and errors and omissions in account balances continue to exist within the Department. These weaknesses were more prevalent in some USDA

financial systems than in others, resulting in some agency financial statements receiving *unqualified audit* opinions and others receiving adverse audit opinions. We believe that the Department is committed to improving financial management and accountability. This commitment will be demonstrated in more accurate and timely financial statements and data in the future.

## Information Resources Management

USDA agencies make extensive use of automated systems to conduct their business and are continually seeking the best and most useful technology available. Agencies use both centralized mainframe and widely distributed personal computer equipment, connected in large part by local and nationwide communications networks. USDA has invested heavily in these automated resources, which in turn are an integral part of the management and control of billions of dollars of the Department's resources and payments. Audits of the Department's information management resources, including equipment, processing environments, applications, communications networks, and acquisition processes, continue to disclose weaknesses that leave operations vulnerable to abuse and misuse.

### **ASCS' Computer Acquisition Planning Needs Management's Involvement**

ASCS uses automated resources extensively to deliver services to its customers. Acquisition of these resources requires sound planning. For selected computer acquisitions, we evaluated the adequacy of ASCS' planning, management involvement, and controls to ensure the resources were needed, were acquired in a timely manner, and met essential statutory requirements.

A critical part of the success of major systems projects is the participation of senior agency administrative and program managers. This participation guarantees user input and helps to avoid unneeded cost growth and schedule delays. We evaluated the acquisition of a major ASCS computer system with estimated life-cycle costs of over \$1 billion and found that senior agency managers were not actively involved in planning the acquisition. A committee of senior managers, whose task was to review all system plans and proposals, rarely met to discuss the direction and scope of the acquisition. Furthermore, the working group that was established to plan the \$1 billion project was

subsequently assigned other agencywide system planning tasks and thus had little time to focus on the original acquisition.

We also evaluated two acquisitions of personal computers and related hardware and software for ASCS headquarters and field offices. In both cases, inadequate planning and oversight led to noncompliance with acquisition regulations and to accelerated acquisitions, leaving users unprepared to receive, use, and account for the new equipment when it arrived.

We recommended ASCS implement better controls over computer project planning, adhere to applicable requirements, and ensure that senior agency managers take a more active role in major acquisitions. ASCS officials agreed with our recommendations and are taking steps to implement them.

### **Better Security and Controls Needed for ASCS' SCOAP**

ASCS' State and County Office Automation Project (SCOAP) is an automated distributed processing system used to collect, process, and distribute information, and deliver program payments and loans to producers in over 2,800 State and county offices. During FY 1992 SCOAP processed about \$22 billion in transactions.

We evaluated the adequacy of SCOAP security and controls and reviewed compliance with agency and departmental requirements for authorized hardware and software, physical security, data file backup and retention procedures, offsite storage sites for backup files, and disaster recovery and contingency plans. We also analyzed controls over data transmissions and telecommunication charges and billings; evaluated the adequacy of agency reviews of system security, software certification, system overrides, and user activities; and tested general ADP and related controls at 12 State offices and 36 county offices.

We found that an increasing workload and the implementation of new programs under tight congressional timeframes diverted management's attention from security and control issues during SCOAP's development. We identified weaknesses in such areas as validity checks of program eligibility and payment computations, control over user identifiers and passwords, control over system overrides, security over

sensitive data, software management and control, security clearances for employees with access to sensitive data, timeliness of system backup procedures, and assignments of security classifications for individual sites. These weaknesses contributed to fraud and other program abuses being perpetrated on the SCOAP system.

ASCS officials have agreed to address these weaknesses and assign a higher security classification to the Kansas City Management Office. We are working with ASCS officials to resolve a few items relating to security and to reclassifying security designations for field offices.

### **NASS Could Protect More Commodity Forecasts**

The National Agricultural Statistical Service (NASS) collects and disseminates national and State agricultural statistics, including accurate and reliable agricultural forecasts.

We evaluated NASS' security and controls over the automated resources used to transmit and process sensitive statistical forecasting data, particularly for speculative commodities.

We concluded that NASS should designate additional market-sensitive commodities, such as cattle, hogs, barley, oats, and sugar, as speculative commodities. This would subject the related forecasting data to more stringent security measures to protect it against premature disclosure and misuse. Stricter security would require NASS to encrypt the data during transmission from the field to headquarters, and further limit access to the data until it is released to the public. NASS should also encrypt summary crop yield and production data, implement better controls over the encryption process, and ensure stricter compliance with lockup requirements for sensitive forecasting data.

NASS also needs better controls over its local area network, specifically in activating unused system security features and monitoring who has access to the system. Access to sensitive files on NASS' mainframe was not adequately restricted; user identifications were being shared; unauthorized system access was not being adequately monitored; and the costs of mainframe processing may not have been reasonable. NASS also needs better control over the creation and

storage of backup files and should prepare a contingency plan for disrupted operations.

NASS agreed with all recommendations and is taking corrective action.

### **NFC's Systems Need Strengthened Controls**

We reviewed NFC's controls over the health, life, and retirement benefits programs and the Fedline II system. For the employee health, life, and retirement benefit programs, NFC performs payroll and personnel functions, including processing benefit forms, withholding employee deductions and agency contributions for benefit premiums, and transmitting premium payments to the Office of Personnel Management. The Fedline II system provides an online, computer-based link to the Federal Reserve System's Communication Network, which is used to transfer funds and securities between institutions. NFC's Fedline II transactions for the fiscal year ending June 30, 1992, totalled \$1.3 billion.

We found that NFC was doing a good job overall with the operations of both activities. However, the agency needs to strengthen some procedures. For the health benefits program, NFC needs better system edits to ensure correct withholding and timely payment of health premiums for nonpay employees enrolled in the Federal Workers' Compensation program. For the Fedline II system, NFC needs to assign a separate numbering system for each log of transfer requests, transfer funds only after written approval, maintain an updated log of personnel authorized to approve transfers, and maintain complete documentation supporting all transfers.

NFC agreed with the findings and conclusions and has taken action to implement all of our recommendations.

## **Administrative Operations**

### **Reporting of Contract Advisory and Assistance (CAAS) Contracts Was Not Always Timely or Accurate**

Our audit of the award and reporting process for CAAS contracts noted improvements over prior years. USDA agencies had established effective management controls, and required services were received for the contracts sampled. However, agencies were still having problems with the timeliness of their reporting and the

accuracy of the data they transmitted to the Federal Procurement Data System. The Department also experienced problems submitting the mandated CAAS report to Congress by the due date. We recommended that OO officials reemphasize to USDA agencies the requirement for timely submission and periodic reconciliation of CAAS contract data in the procurement data system. OO agreed to implement this recommendation.

## **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 14 price proposals, cost reimbursement contracts, or contractor claims. These audits resulted in questioned costs or potential savings of about \$14.5 million. Also, management decisions were made on 6 audits, resulting in savings of nearly \$1.4 million.

- Audits of a contractor's \$48.3 million price proposal for the upgrading and replacement of ASCS' computer hardware questioned about \$6.9 million. Costs were questioned because direct labor, material, and related overhead costs were excessive, and because estimates of the commercial costs of equipment and material were deficient.
- An audit of a contractor's \$1.3 million claim for equitable adjustment of costs incurred under an FS contract to reconstruct a road in a national forest questioned \$1.2 million. The questioned costs included unsupported labor claims, clerical errors, use of inappropriate equipment rates, unallowable general and administrative costs, unallowable interest costs, costs already partially paid by the FS, and markups on subcontractor costs not included in the original contractor bid. The audit opinion was qualified because the contractor's claim was not acceptable as a basis for a fair and reasonable settlement.

The contracting officer 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 four audit reports covering areas over which we have been assigned cognizance. Of these reports, three contained recommendations with questioned costs of about \$475,000 in USDA assistance. In addition, we received and distributed 100 reports furnished to us by other cognizant Federal agencies. Of these, 42 contained recommendations with associated monetary values of about \$2.2 million.

As the assigned lead cognizant agency for single audit activities in Pennsylvania, we processed the Commonwealth of Pennsylvania Single Audit for the State fiscal year ending June 30, 1992. For all Federal programs, the audit report questioned costs totaling over \$122.9 million. Part of this amount was questioned because the State's Department of Public Welfare had prior grant amounts in its deferred Federal revenue, but kept this revenue for an excessive period of time even though it was not matched with Federal grant expenditures. Since the deferred revenues were not subsequently matched with any related expenditure, the State was not in compliance with Federal regulations related to fiscal control and fund accounting procedures, and with OMB Circular A-87, Cost Principles for State and Local Governments. These amounts resulted in questioned costs of \$24.2 million, of which \$7.2 million was USDA funding.

USDA issues identified in the single audit report pertained primarily to programs funded and administered by FNS. These programs include the Food Distribution Program; the Emergency Food Assistance Program; Food Stamp Program; National School Lunch Program; WIC program; and Child and Adult Care Food Program.

The audit contained recommendations directed at implementing and improving internal controls over Federal programs. In addition, corrective actions concerning the questioned costs have been taken.

# Employee Integrity Investigations

Protecting the integrity of USDA programs continues to be a major priority of OIG. Our main concerns in investigating serious allegations of employee misconduct include conflicts of interest, misuse of official position for personal gain, allegations of bribery and extortion, and the misuse or theft of Government property and money.

During the past 6 months, our investigations into serious employee misconduct resulted in 12 convictions of current or former USDA employees and 37 personnel actions, including reprimands, removals, suspensions, and resignations. The following are examples of some of the investigations which yielded such results during the past 6 months.

## **FmHA County Supervisor and Spouse Sentenced in Housing Scam**

A former Texas FmHA county supervisor was sentenced to 3 years in prison after he pled guilty to defrauding FmHA and numerous Rural Housing loan borrowers. The supervisor's wife, who had aided him in his scheme, was given 3 years' probation after she pled guilty to misprison of a felony. In addition, both defendants were ordered to pay FmHA over \$358,000 in restitution.

As previously reported, the supervisor and his wife, a former bank employee, devised a scheme whereby they bought FmHA-mortgaged homes and resold them through phony purchasers for twice the original value, thus earning the gain from the resale. They also inflated the cost of rural housing repairs and created documents for fictitious repairs.



One of the FmHA-mortgaged houses that a former FmHA county supervisor bought and then resold to phony purchasers. He pled guilty to fraud charges and received a prison sentence. OIG photo.

## **ASCS Employee Extorts Money and Farm Machinery**

An ASCS deputy division director used his official position to extort farm equipment, a mobile home, and cash from a tobacco warehouseman against whom ASCS had assessed a marketing penalty for violating Tobacco Program regulations. The employee, who worked in the District of Columbia and had a farm in North Carolina, was contacted by the warehouseman, who asked the employee for help in getting his ASCS penalties reduced. The employee agreed to help in exchange for the farm machinery, the mobile home, and the cash. The machinery and mobile home were seized by OIG agents when the investigation was completed. The employee retired from ASCS when he was confronted with the evidence. He was subsequently indicted for extortion and filing a false income tax report. He was sentenced to 2 years in prison and ordered to pay \$15,080 in fines and restitution.

## **ASCS Embezzler Caught After International Flight**

In California, a former ASCS program assistant is awaiting sentencing after she pled guilty to embezzling over \$165,000 from an ASCS county office. Our investigation disclosed that the employee stole blank CCC checks from the county office and issued the checks to herself and her sister. She attempted to hide the embezzlement by falsely claiming that the checks were for Rice Deficiency Program payments. Among the items that she purchased with the stolen money were travelers checks and airline tickets to Fiji for herself and other family members. After the theft was uncovered, the employee left for Fiji, where she remained for 1 year. She was arrested by U.S. Customs Service agents when she recently returned to the United States.

## **Purchasing Agent Convicted of Fraud**

A FS purchasing agent in Atlanta was convicted of both wire and mail fraud in connection with his misuse of FS funds. The employee used the FS procurement system to buy \$42,700 worth of computer equipment, which he later gave to a friend.

To make the purchase, the employee split a single procurement transaction into multiple purchase orders and credit card invoices. This scheme not only hid the purchase but also evaded the established dollar limit

that restricted how much the purchasing agent could spend.

The defendant, who resigned during the investigation, was sentenced to 1 year in prison and given 3 years' probation, with 300 hours of community service.

### **SCS Technician Sentenced for Concealing Conflict of Interest**

A former SCS employee in Texas was sentenced to 6 months at a halfway house and given 2½ years' supervised probation after he pled guilty to a charge of conflict of interest. The investigation showed that while he was an SCS employee, the technician inspected and approved several Government-funded conservation construction projects that were built by firms he owned or in which he had a hidden financial interest. He was fired by SCS based on the investigation.

### **APHIS Employee Guilty of False Travel Claims**

A former APHIS supervisor pled guilty in Maryland to embezzling USDA funds by submitting false travel claims related to a long-term training assignment at a university. The employee claimed expenses for tuition and books the Government had previously paid for, and he requested reimbursement for parking on weekends and holidays, even though there were no classes on these days. The employee was sentenced to 3 years' probation and ordered to pay a \$1,000 fine. In addition to the fine, the employee repaid USDA approximately \$1,300 and was billed for an additional \$15,755.

# 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
<b>Audits Pending Agency Action</b>				
ASCS	9/30/91	1. Control of Payment Limitation for 1989 Feed Grain, Rice, Upland Cotton, and Wheat Programs (03600-15-Te)*	\$0	\$0
	9/16/92	2. Alaska State Program Operations (03097-4-SF)*	\$1,609,704	\$1,609,704
	12/11/92	3. 1991 Livestock Emergency Feed Program (03099-159-Te)	\$449,360	\$449,360
	3/26/93	4. 1990 Sugarcane Disaster Program (03600-26-Te)	\$3,684,513	\$3,684,513
	4/1/93	5. 1990-1991 Disaster Payments for Nonprogram Crops in Texas (03002-2-Te)	\$565,486	\$523,256
	12/15/92	6. Wetland Conservation Provisions (50600-2-KC)	\$1,170,133	\$1,170,133
FCIC	3/13/91	7. Insurance Contracts With Large Indemnity Payments Adjusted by Crop Hail Management (05600-3-Te)*	\$122,588	\$105,667



<b>Agency</b>	<b>Date Issued</b>	<b>Title of Report</b>	<b>Total Dollar Value at Issuance</b>	<b>Amount With No. Mgmt. Decision</b>
	3/31/92	8. Audit of Large Claims in Florida (05099-20-At)*	\$1,034,814	\$859,857
	3/31/92	9. 1989 Corn and Soybean Contract No. 24-884-48846-89 for Vernon County, Missouri, Crop Hail Management (05099-105-KC)*	\$290,170	\$124,705
	7/16/92	10. Soybean Losses in Three Arkansas Counties for 1988 and 1989 (05099-55-Te)*	\$110,312	\$110,312
FmHA	7/16/92	11. Accrued Interest on Guaranteed Loan Repurchases (04099-173-Te)*	\$1,488,056	\$417,873
	3/31/92	12. Subsequent Farmer Program Loans to Net Recovery Buyout (04600-11-Te)*	\$1,550,720	\$1,550,720
	2/18/93	13. Rural Rental Housing Program Servicing of HUD Section 8/515 Projects in California (04099-130-KC)	\$1,653,707	\$1,228,743
	3/4/93	14. Rural Rental Housing Project - Wells Property Management Company (04099-189-Te)	\$840,017	\$840,017
FNS	3/19/93	15. Mississippi Department of Education - Day Care Homes (27099-54-At)	\$18,889	\$18,889

<b>Agency</b>	<b>Date Issued</b>	<b>Title of Report</b>	<b>Total Dollar Value at Issuance</b>	<b>Amount With No. Mgmt. Decision</b>
	3/23/93	16. Issues Identified During Audit of FNS' FY 1991 Financial Statements Requiring Management Action (27070-3-Hy)	\$148,750	\$0
FS	3/15/93	17. Evergreen Helicopters, Inc., Post Award Audit (08545-61-SF)	\$757,775	\$757,775
	10/27/92	18. Historic Aircraft Exchange Program (08097-2-At)	\$35,260,665	\$1,079,189
RDA	12/20/90	19. Nonprofit National Corporations Loan and Grant Program (04600-6-Te)*	\$2,870,668	\$502,600
	3/28/90	20. Texas State Office Business and Industrial Loan Program (04002-1-Te)*	\$4,899,161	\$191,357
SCS	4/23/92	21. Lang Brothers - Upper Mud River Contract Claim (10545-33-Hy)*	\$1,058,839	\$1,058,839

## 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 find that producers maximize 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 reversed its position because of concern that the rule revisions we recommended would be contrary to the intent of Congress. We provided a memorandum to various congressional committees explaining our position on this matter.

### 2. Alaska State Program Operations, Issued September 16, 1992

We questioned a number of decisions made by State and county officials who had misinterpreted 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.

### 3. 1991 Livestock Emergency Feed Program, Issued December 11, 1992

Some producers in New Mexico received ineligible benefits because (1) a producer did not fully disclose his involvement in a joint venture, (2) two producers received assistance for ineligible livestock fed in a commercial feedlot, (3) a producer's gross income exceeded the \$2.5 million gross revenue limit, and (4) a producer claimed pasture loss on ineligible land. ASCS has agreed with the audit recommendations and is in the process of establishing all required accounts receivable and completing the agreed-upon review to identify other incorrect payments.

### 4. 1990 Sugarcane Disaster Program, Issued March 26, 1993

ASCS personnel in two States did not uniformly apply procedures to account for seed cane acreage and production. ASCS officials agreed with our recommen-

dation to issue instructions for determining disaster losses involving sugarcane acres and production for seed. We also recommended that the agency correct payment errors and establish accounts receivable for relief granted under the 90-day rule. This audit remains open because ASCS will not establish an accounts receivable.

### 5. 1990-1991 Disaster Payments for Nonprogram Crops in Texas, Issued April 1, 1993

Producers misrepresented their shares in the nonprogram crops, underreported crop production, and exceeded the \$2 million gross qualifying income limitation. We recommended that ASCS recover overpayments from the cited producers, review other payments not included in our audit, and institute procedures to verify crop shares, production, and income. ASCS agreed to collect the overpayments and is in the process of reviewing each case.

### 6. Wetland Conservation Provisions, Issued December 15, 1992

Producers received over \$1.1 million in program benefits for which they were not eligible because of wetland violations. An effective interim procedure for identifying wetland violations had not been established. ASCS officials told us that most ASCS employees did not have the technical expertise to make these determinations. We recommended that ASCS' certification of highly erodible land and wetland be used to identify wetlands that may be converted to farmland and that producers who provide erroneous information on the certifications be penalized. ASCS officials stated that penalizing a producer for incorrect reporting was not consistent with intent of the certification.

ASCS officials expressed general agreement with the condition but disagreed with the recommended action. They suggested that SCS be made responsible for carrying out compliance tests for wetlands. In our opinion, this would be acceptable, but the actions that have been formally proposed will not solve the problem. We are preparing a paper to bring this situation to the attention of the Deputy Secretary.

**7. 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 claims or the insureds did not report their crop sales. Management decision has been obtained for three cases; the fourth case is being investigated by OIG.

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

One Florida tomato producer insured tomatoes on ineligible acreage and failed to report the planting, production, and sale of tomatoes produced on an uninsured field. FCIC agreed with the audit findings, and OIG is investigating this case. Management decision is pending the results of this investigation.

**9. 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. FCIC has elected to delay action on the contract until the producer exhausts his appeal rights related to a reported violation of the Wetland Conservation Act during the 1990 crop-year (Audit Report No. 03099-170-KC). Management decision is pending ASCS' determination of whether the producer is in compliance with the Wetland Conservation provisions, and its notification of the producer of any overpayments and claims established.

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

Three producers incorrectly reported crop production on their 1988 and 1989 claims. 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.

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

Eighty noteholders had been overpaid more than \$355,000 in excessive interest because FmHA continued to allow interest to accrue indefinitely. In response to our recommendation, FmHA identified another 33

noteholders who had been overpaid about \$62,000. FmHA and RDA told us that they were recording the overpayments as receivables; however, the receivables and interest charges were not established in the agencies' accounting records. We are working with the agencies to resolve these issues.

**12. 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, FmHA needs to identify specific actions taken on each case, provide a copy of the bill for collecting amounts owed to the Government, and show that amounts have been established as a receivable on its accounting records. These cases are complex, and corrective action is in process.

**13. Rural Rental Housing Program Servicing of HUD Section 8/515 Projects in California, Issued February 18, 1993**

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 FmHA require cited borrowers to account for questioned transactions. Extensive analysis of multiple projects is needed and is underway.

**14. Rural Rental Housing Project - Wells Property Management Company, Issued March 4, 1993**

The audit recommended that FmHA require the management agent to develop a plan to bring the delinquent accounts current, pay the taxes, and fund the reserve accounts or proceed with foreclosure on secured property. FmHA agreed with the recommendations; however, feasible plans to bring project accounts current have not been finalized. We are working with the agency to achieve resolution.

**15. Mississippi Department of Education - Day Care Homes, Issued March 19, 1993**

We recommended that FNS terminate 19 day care homes and establish claims against sponsors for overclaimed meal service. Management decision is pending the outcome of our investigation of the two

sponsors, and claims actions cannot be initiated until this work is completed.

**16. Issues Identified During Audit of FNS' FY 1991 Financial Statements Requiring Management Action, Issued March 23, 1993**

Our audit recommended that FNS account for food stamp activity through September 30, since the FNS financial statements are dated September 30. In response, FNS is conducting a study to determine the impact that a mandatory September 30 cutoff on reporting issuance activity would have on State agencies and program recipients. If the impact is minimal, FNS officials will determine the best method to implement the recommendation. We are awaiting the results of the study.

**17. Evergreen Helicopters, Inc., Post Award Audit, Issued March 15, 1993**

The audit concluded that cost or pricing data submitted by the contractor was not accurate and recommended a downward price adjustment of \$757,775. The contracting officer is currently meeting with contractor representatives to negotiate a settlement.

**18. Historic Aircraft Exchange Program, Issued October 27, 1992**

We recommended that FS officials (1) resolve ownership issues involving the C-130A and P-3A aircraft that were improperly exchanged for private aircraft and (2) disallow the airtanker contractors from charging costs associated with the cost of the aircraft they traded in against future firefighting contracts. The Department established a task force to resolve the aircraft ownership issues and the future role of FS in providing aircraft to airtanker operators. Management decisions on the recommendations are pending task force recommendations and subsequent departmental decisions.

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

Our audit recommended that 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 ad-

equately accounted for all unauthorized assistance except for one case. Corrective action is in process.

**20. 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.

**21. Lang Brothers - Upper Mud River Contract Claim, Issued April 23, 1992**

After we issued the report, the SCS contracting officer asked us to review additional indirect costs claimed by the contractor for roadwork. This work was completed on August 31, 1993, and the contracting officer is preparing to negotiate a settlement.

## Indictments and Convictions

Between April 1, 1993, and September 30, 1993, OIG completed 685 investigations. We referred 526 cases to Federal, State, and local prosecutors for their decision.

During the reporting period, our investigations led to 579 indictments and 471 convictions. The period of time to obtain court action on an indictment varies widely; therefore, the 471 convictions do not necessarily relate to the 579 indictments. Fines, recoveries/collections, and restitutions resulting from our investigations totaled about \$22.1 million. Costs of about \$400,000 were avoided.

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

### Indictments and Convictions April 1, 1993 - September 30, 1993

Agency	Indictments	Convictions*
AMS	2	1
APHIS	8	2
ARS	1	0
ASCS	36	21
ES	0	0
FAS	3	5
FCIC	11	12
FGIS	1	2
FmHA	37	59
FNS	473	355
FS	4	4
FSIS	1	7
SCS	1	3
Other	1	0
Totals	<u>579</u>	<u>471</u>

### Total FY 1993

Agency	Indictments	Convictions*
AMS	2	2
APHIS	15	11
ARS	1	0
ASCS	57	46
ES	1	1
FAS	3	7
FCIC	17	21
FGIS	2	2
FmHA	77	97
FNS	748	771
FS	8	7
FSIS	8	11
SCS	2	4
Other	3	2
Totals	<u>944</u>	<u>982</u>

\*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 3,452 calls and letters; a total of 6,637 were received this year. These contacts included allegations of participant fraud, employee misconduct and mismanagement, as well as opinions about USDA programs.

Figure 5

### Hotline Complaints April 1 to September 30, 1993 (Total = 3,452)

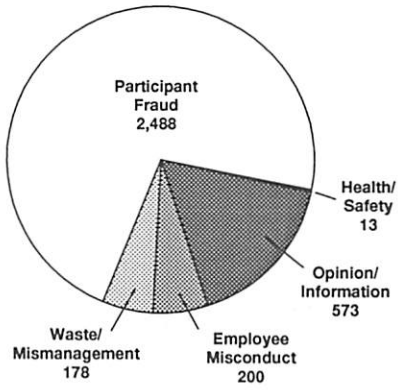
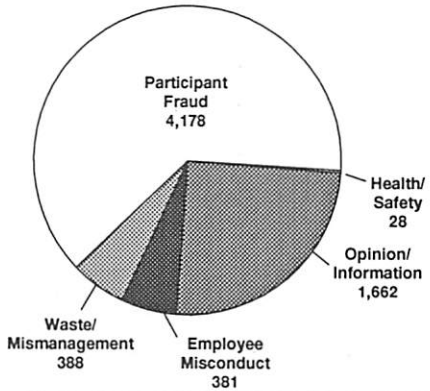


Figure 6

### Hotline Complaints October 1, 1992 to September 30, 1993 (Total = 6,637)



During FY 1993, 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 "Reinventing Government" efforts. 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 1,569 calls and letters relating to this initiative. These ideas were provided to the appropriate USDA agencies and to the National Performance Review team.

Figure 7

### Disposition of Complaints April 1 to September 30, 1993

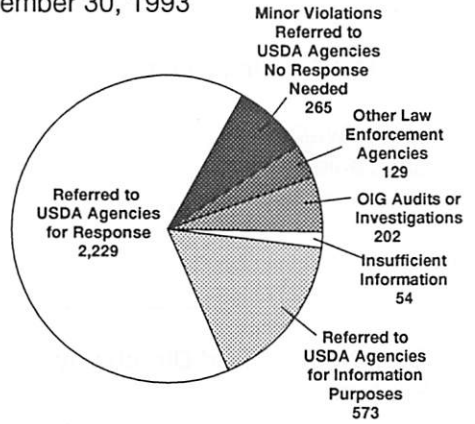
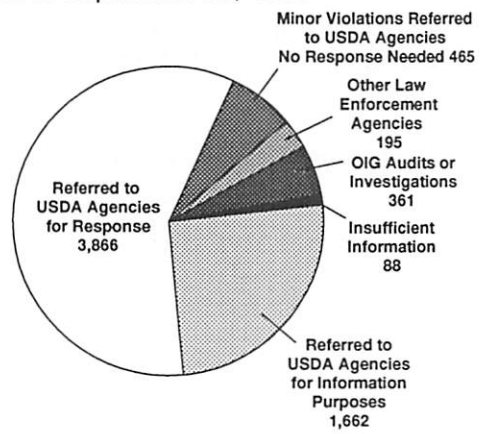


Figure 8

### Disposition of Complaints October 1, 1992 to September 30, 1993



## Freedom of Information Act Activities

During this period, OIG processed 278 requests under the Freedom of Information Act. Details follow:

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<b>Number of Requests Received</b>	311
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<b>Number of Requests Processed:</b>	278
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Number of Requests Granted in Full	139
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Number of Requests Granted in Part	76
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Number of Requests Not Granted	63
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Total	278
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### Requests Not Granted Due to:

No Records Available	19
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Requests Denied in Full	44
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Total	63
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### Other Data Not Affected Directly by the Requests:

Appeals Granted	1
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Appeals Denied in Full	1
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Appeals Denied in Part	4
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Number of OIG Reports/Documents Released in Response to Requests	602
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NOTE: A request may involve more than one report.



# Appendix I

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

### DOLLAR VALUES

	<u>NUMBER</u>	<u>QUESTIONED COSTS AND LOANS</u>	<u>UNSUPPORTED<sup>a</sup> COSTS AND LOANS</u>
A. FOR WHICH NO MANAGEMENT DECISION HAD BEEN MADE BY APRIL 1, 1993	60	\$82,512,704	\$8,179,208
B. WHICH WERE ISSUED DURING THIS REPORTING PERIOD	73	\$289,781,318	\$1,282,394
TOTALS	<u>133</u>	<u>\$372,294,022</u>	<u>\$9,461,602</u>
C. FOR WHICH A MANAGEMENT DECISION WAS MADE DURING THIS REPORTING PERIOD	60		
(1) DOLLAR VALUE OF DISALLOWED COSTS			
RECOMMENDED FOR RECOVERY		\$21,060,775	\$5,272,251
NOT RECOMMENDED FOR RECOVERY		\$6,416,566	
(2) DOLLAR VALUE OF COSTS NOT DISALLOWED		\$9,674,504	\$1,563,069
D. FOR WHICH NO MANAGEMENT DECISION HAS BEEN MADE BY THE END OF THIS REPORTING PERIOD	73	\$338,715,424	\$6,153,528
REPORTS FOR WHICH NO MANAGEMENT DECISION WAS MADE WITHIN 6 MONTHS OF ISSUANCE	18	\$49,420,942	\$5,488,131

<sup>a</sup>Unsupported values are included in questioned values.

# Appendix II

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

	<u>NUMBER</u>	<u>DOLLAR VALUE</u>
A. FOR WHICH NO MANAGEMENT DECISION HAD BEEN MADE BY APRIL 1, 1993	20	\$46,214,664
B. WHICH WERE ISSUED DURING THE REPORTING PERIOD	23	\$76,638,918
TOTALS	<u>43</u>	<u>\$122,853,582</u>
C. FOR WHICH A MANAGEMENT DECISION WAS MADE DURING THE REPORTING PERIOD	20	
(1) DOLLAR VALUE OF DISALLOWED COSTS		\$52,958,770
(2) DOLLAR VALUE OF COSTS NOT DISALLOWED		\$15,470,883
D. FOR WHICH NO MANAGEMENT DECISION HAS BEEN MADE BY THE END OF THE REPORTING PERIOD	23	\$54,432,873
REPORTS FOR WHICH NO MANAGEMENT DECISION WAS MADE WITHIN SIX MONTHS OF ISSUANCE	10	\$10,699,269

# Appendix III

## SUMMARY OF AUDIT REPORTS RELEASED BETWEEN APRIL 1, 1993, AND SEPTEMBER 30, 1993

DURING THE 6-MONTH PERIOD BETWEEN APRIL 1, 1993, AND SEPTEMBER 30, 1993, THE OFFICE OF INSPECTOR GENERAL ISSUED 208 AUDIT REPORTS, INCLUDING 16 PERFORMED BY OTHERS.

THE FOLLOWING IS A SUMMARY OF THOSE AUDITS BY AGENCY:

AGENCY	AUDITS RELEASED	QUESTIONED COSTS AND LOANS	UNSUPPORTED <sup>a</sup> COSTS AND LOANS	FUNDS BE PUT TO BETTER USE
AGRICULTURAL MARKETING SERVICE	2	\$178,008		\$8,563,006
AGRICULTURAL RESEARCH SERVICE	2	\$58,500		\$137,631
AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE	32	\$42,874,887		\$16,975,046
FARMERS HOME ADMINISTRATION	15	\$48,551,044	\$80,281	\$12,825,561
FEDERAL CROP INSURANCE CORPORATION	5	\$8,318,173	\$50,378	\$12,942
FOREST SERVICE	8	\$565,441	\$565,441	\$4,878,712
RURAL ELECTRIFICATION ADMINISTRATION	1	0	0	0
SOIL CONSERVATION SERVICE	3	\$15,613		\$813,703
OFFICE OF FINANCE AND MANAGEMENT	2			
OFFICE OF OPERATIONS	4			
NATIONAL AGRICULTURAL STATISTICS SERVICE	1			
FOOD SAFETY AND INSPECTION SERVICE	1			
FOOD AND NUTRITION SERVICE	17	\$2,638,854		\$22,669,327
RURAL DEVELOPMENT ADMINISTRATION	2			\$62,990
ANIMAL AND PLANT HEALTH INSPECTION SERVICE	2	\$417,167		
MULTI-AGENCY	111	\$186,163,631	\$586,294	\$9,700,000
<b>TOTALS</b>	<b>208</b>	<b>\$289,781,318</b>	<b>\$1,282,394</b>	<b>\$76,638,918</b>
<b>TOTAL COMPLETED:</b>				
SINGLE AGENCY AUDIT	97			
MULTIAGENCY	111			
<b>TOTAL RELEASED NATIONWIDE</b>	<b>208</b>			
<b>TOTAL COMPLETED UNDER CONTRACT<sup>b</sup></b>	<b>16</b>			
<b>TOTAL SINGLE AUDIT ISSUED<sup>c</sup></b>	<b>104</b>			

<sup>a</sup>Unsupported values are included in questioned values

<sup>b</sup>Indicates audits performed by others

<sup>c</sup>Indicates audits completed as Single Audit

**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
<b>AGRICULTURAL MARKETING SERVICE</b>				
01-099-0003-CH 93/09/29	ADMINISTRATIVE COSTS AT PROMOTION AND RESEARCH BOARDS	\$178,008		\$28,567
01-099-0024-AT 93/08/20	PESTICIDE RECORD AND DATA PROGRAM			\$8,534,439
	TOTAL: AGRICULTURAL MARKETING SERVICE	<u>2</u> \$178,008		<u>\$8,563,006</u>
<b>AGRICULTURAL RESEARCH SERVICE</b>				
02-099-0002-TE 93/09/30	CHILDREN'S NUTRITIONAL RESEARCH CENTER AT BAYLOR SCHOOL OF MEDICINE	\$58,500		\$137,631
02-545-0059-HY 93/06/23	BENDIX BOMSS SEGMENT INDIRECT RATES			
	TOTAL: AGRICULTURAL RESEARCH SERVICE	<u>2</u> \$58,500		<u>\$137,631</u>
<b>AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE</b>				
03-002-0001-AT 93/06/24	1990-1991 DISASTER ASSISTANCE PAYMENTS FOR NONPROGRAM CROPS	\$107,676		
03-002-0001-SF 93/09/24	DISASTER PAYMENTS FOR NONPROGRAM CROPS - 1990/1991 - STATE OF CA	\$577,931		
03-002-0002-TE 93/04/01	1990-1991 DISASTER PAYMENTS FOR NONPROGRAM CROPS IN TX	\$565,486		
03-097-0002-AT 93/09/30	DISASTER PAYMENTS - GA	\$1,759,782		\$3,514,013
03-099-0148-AT 93/09/30	DISASTER PAYMENTS - THOMAS COUNTY, GA	\$333,628		
03-099-0160-TE 93/05/14	EMERGENCY CONSERVATION PROGRAM OPERATIONS IN AR	\$251,588		
03-099-0164-TE 93/09/17	U.S. MOHAIR MARKETING BOARD, SONORA, TX	\$21,134,775		\$366,594
03-099-0166-TE 93/09/16	1991 LIVESTOCK EMERGENCY FEED PROGRAM IN TX	\$515,937		
03-099-0175-KC 93/07/06	WOOL PROGRAM, NATION'S CENTER WOOL POOL, INC.			\$309,509
03-545-0001-KC 93/04/02	REVIEW OF ACCOUNTING SYSTEMS AND COST ESTIMATING METHODS			
03-545-0002-KC 93/06/04	SUPPLEMENTAL REVIEW OF ACCOUNTING SYSTEMS AND COST ESTIMATING METHODS			
03-545-0003-KC 93/09/30	SUPPLEMENTAL REVIEW OF ACCOUNTING SYSTEMS AND COST ESTIMATING METHODS			\$12,435,240
03-555-0002-FM 93/05/13	ASCS INFORMATION RESOURCES MANAGEMENT MODERNIZATION PROJECT			
03-600-0004-HY 93/04/07	1991 COUNTY OFFICE OPERATIONS - MD	\$9,545		
03-600-0006-HY 93/06/09	1991 COUNTY OFFICE OPERATIONS - NY	\$23,843		
03-600-0010-FM 93/09/30	SECURITY AND CONTROLS OVER ASCS DISTRIBUTED PROCESSING			
03-600-0011-FM 93/06/22	CCC FINANCIAL STATEMENTS - FY 1992			
03-600-0014-CH 93/08/06	1990 & 1991 DISASTER PAYMENTS FOR NONPROGRAM CROPS - MI	\$26,858		
03-600-0014-FM 93/08/02	MANAGEMENT ISSUES ON CCC FY 1992 FINANCIAL STATEMENTS			

**AUDIT REPORTS RELEASED AND ASSOCIATED MONETARY VALUES  
BETWEEN APRIL 1, 1993, AND SEPTEMBER 30, 1993**

AUDIT NUMBER RELEASE DATE	TITLE	QUESTIONED COSTS AND LOANS	UNSUPPORTED* COSTS AND LOANS	FUNDS BE PUT TO BETTER USE
03-600-0015-CH 93/08/06	1990 & 1991 DISASTER PAYMENTS FOR NONPROGRAM CROPS - MN	\$30,548		
03-600-0018-SF 93/06/16	MAXIMUM PAYMENT LIMITATION - 1991 - STATE OF AZ	\$972,411		\$349,690
03-600-0019-KC 93/06/09	SEEDING PRACTICE COST SHARE RATES			
03-600-0020-SF 93/05/19	MAXIMUM PAYMENT LIMITATION - 1991 - STATE OF WA	\$64,222		
03-600-0021-SF 93/04/23	MAXIMUM PAYMENT LIMITATION - 1991 - STATE OF CA	\$91,792		
03-600-0022-KC 93/08/27	MANAGEMENT OF COUNTY OFFICE OPERATIONS			
03-600-0027-KC 93/06/11	PAYMENT LIMITATION FOR HUGHES AND SULLY COUNTY ENTITIES	\$593,193		
03-600-0029-TE 93/06/03	MAXIMUM PAYMENT LIMITATION - 1991 - AR	\$206,716		
03-600-0030-KC 93/06/16	PAYMENT LIMITATION FOR ROSEBUD, YELLOWSTONE, CASCADE, AND DANIELS COUNTY ENTITIES	\$260,273		
03-600-0031-KC 93/09/30	PAYMENT LIMITATION APPLICATION TO OPERATORS	\$360,375		
03-600-0032-TE 93/06/22	MAXIMUM PAYMENT LIMITATION - 1991 - TX	\$48,164		
03-600-0033-TE 93/09/30	MAXIMUM PAYMENT LIMITATION - 1991	\$14,940,144		
03-800-0003-KC 93/09/30	EVALUATION OF DISASTER PROGRAM CROP QUALITY PROVISIONS			
TOTAL: AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE		32 \$42,874,887		\$16,975,046
<b>FARMERS HOME ADMINISTRATION</b>				
04-097-0001-HQ 93/06/29	REVIEW OF FMHA HANDLING OF CONTRACTS WITH CII			
04-097-0002-HQ 93-09/28	HANDLING OF FMHA IRM CONTRACTUAL SERVICES			
04-099-0081-HY 93/06/23	FMHA RR - HUD SECTION 8/515 PROJECT - PA	\$320,427		\$3,963,490
04-099-0082-HY 93/04/09	RURAL RENTAL HOUSING SERVICING OF HUD SECTION 8/515 PROJECTS - MD	\$80,280	\$80,280	\$143,189
04-099-0083-HY 93/06/04	RURAL RENTAL HOUSING SERVICING OF HUD SECTION 8/515 PROJECTS - NY	\$1,241,808		\$3,903,763
04-099-0086-HY 93/09/02	COMMERCIAL TOWNSHIP HOUSING CORPORATION - SPECIAL REQUEST AUDIT	\$94,031		
04-099-0110-CH 93/07/07	RRH OPERATIONS AT NAUVOO DEVELOPMENT CO. - NAUVOO, IL	\$423,867		
04-099-0330-AT 93/04/01	ALLOCATION OF RURAL HOUSING FUNDS - AL			
04-099-0331-AT 93/06/25	LOWNDES AND MONTGOMERY COUNTY, AL - FMHA OFFICE	\$389,064		
04-550-0001-HY 93/05/17	CONTRACTING ACTIVITIES - STATE OF VA	\$183,197		
04-600-0003-HY 93/06/07	RURAL RENTAL HOUSING - CONSTRUCTION ACTIVITIES IN ME			
04-600-0005-KC 93/09/30	RURAL RENTAL HOUSING PROGRAM SERVICING OF HUD SECTION 8/515 PROJECTS	\$40,321,120		\$4,815,119
04-600-0014-TE 93/09/30	PAYMENT OF LOSSES ON GUARANTEED FARMER PROGRAM DEBT WRITEDOWNS, WASHINGTON, D.C.	\$4,556,542	\$1	
04-600-0015-FM 93/08/23	FY 1992 FMHA FINANCIAL STATEMENTS FINANCE OFFICE			
04-676-0002-HY 93/04/02	LAKE PLACID ASSOCIATE B&I LOAN	\$940,708		
TOTAL: FARMERS HOME ADMINISTRATION		15 \$48,551,044	\$80,281	\$12,825,561

**AUDIT REPORTS RELEASED AND ASSOCIATED MONETARY VALUES  
BETWEEN APRIL 1, 1993, AND SEPTEMBER 30, 1993**

AUDIT NUMBER RELEASE DATE	TITLE	QUESTIONED COSTS AND LOANS	UNSUPPORTED* COSTS AND LOANS	FUNDS BE PUT TO BETTER USE
<b>FEDERAL CROP INSURANCE CORPORATION</b>				
05-600-0001-AT 93/09/30	CROP YEAR 1991 CLAIMS	\$53,555	\$50,378	
05-600-0002-CH 93/09/30	CROP YEAR 1991 CLAIMS	\$14,528		
05-600-0003-KC 93/09/30	CROP INSURANCE CLAIMS FOR 1991 CROP YEAR	\$10,130		\$12,942
05-600-0004-TE 93/09/30	CROP YEAR 1991 CLAIMS	\$8,204,855		
05-600-0005-TE 93/09/30	CROP YEAR 1991 CLAIMS IN SOUTHWEST REGION	\$35,105		
TOTAL: FEDERAL CROP INSURANCE CORPORATION		<u>5</u> <u>\$8,318,173</u>	<u>\$50,378</u>	<u>\$12,942</u>
<b>FOREST SERVICE</b>				
08-099-0012-TE 93/05/17	AMERICA THE BEAUTIFUL - SOUTHERN REGION	\$565,441	\$565,441	
08-099-0042-AT 93/08/03	FINANCIAL STATEMENTS - FY 1992			
08-099-0130-SF 93/09/30	TIMBER MANAGEMENT TIMBER SALE CRUISING CONTROLS			
08-545-0022-HY 93/08/30	UNITED BROTHERHOOD OF CARPENTERS & JOINERS OF AMERICA - INCURRED COST			
08-545-0063-SF 93/05/10	EQUITABLE ADJUSTMENT CLAIM - SEUBERT EXCAVATORS, INC., COTTONWOOD, ID			\$1,210,252
08-545-0064-SF 93/04/27	EQUITABLE ADJUSTMENT CLAIM - JAMES M. FOWLER CO., DALLAS, OR			\$18,587
08-545-0065-SF 93/09/07	EQUITABLE ADJUSTMENT CLAIM - SLAYDEN CONSTRUCTION, INC., AND TIGARD ELECTRIC, INC.			\$32,257
08-601-0005-SF 93/09/30	GRADUATED RATE FEE SYSTEM FOR LARGE RESORTS			\$3,617,616
TOTAL: FOREST SERVICE		<u>8</u> <u>\$565,441</u>	<u>\$565,441</u>	<u>\$4,878,712</u>
<b>RURAL ELECTRIFICATION ADMINISTRATION</b>				
09-099-0007-AT 93/05/11	HAYWOOD ELECTRIC MEMBERSHIP CORPORATION, WAYNESVILLE, NC			
TOTAL: RURAL ELECTRIFICATION ADMINISTRATION		<u>1</u> <u></u>	<u></u>	<u></u>
<b>SOIL CONSERVATION SERVICE</b>				
10-099-0012-KC 93/07/27	RESCHEDULED STATUS REVIEWS			\$46,307
10-545-0036-HY 93/08/31	INDIRECT COST RATES FOR LANG BROTHERS	\$15,613		
10-545-0038-HY 93/06/14	R.L. BATES, REVISED EQUITABLE ADJUSTMENT CLAIM			\$767,396
TOTAL: SOIL CONSERVATION SERVICE		<u>3</u> <u>\$15,613</u>	<u></u>	<u>\$813,703</u>

**AUDIT REPORTS RELEASED AND ASSOCIATED MONETARY VALUES  
BETWEEN APRIL 1, 1993, AND SEPTEMBER 30, 1993**

AUDIT NUMBER RELEASE DATE	TITLE	QUESTIONED COSTS AND LOANS	UNSUPPORTED* COSTS AND LOANS	FUNDS BE PUT TO BETTER USE
<b>OFFICE OF FINANCE AND MANAGEMENT</b>				
11-099-0033-FM 93/06/04	REVIEW OF COLLECTION AND TRANSFER OF FEDERAL EMPLOYEE BENEFIT FUNDS			
11-530-0009-FM 93/06/02	NFC'S USE OF THE FEDLINE II SYSTEM FOR ELECTRONIC FUND TRANSFERS			
TOTAL: OFFICE OF FINANCE AND MANAGEMENT		<u>2</u>		
<b>OFFICE OF OPERATIONS</b>				
23-099-0005-HY 93/04/20	CENTRALIZED EQUIPMENT & PROPERTY OPERATIONS (CEPO) ADMIN., CONTROLS & ASSET/RESOURCE MGMT.			
23-545-0001-CH 93/07/22	POST AWARD AUDIT - DORE AND ASSOCIATES CONTRACTING, INC., BAY CITY, MI			
23-545-0015-HY 93/08/10	CANTEEN INCURRED COST FY '93			
23-545-0016-HY 93/08/10	CANTEEN PRICING PROPOSAL			
TOTAL: OFFICE OF OPERATIONS		<u>4</u>		
<b>FOOD SAFETY AND INSPECTION SERVICE</b>				
24-800-0001-KC 93/08/12	REGULATION OF CORNHUSKER PACKING COMPANY			
TOTAL: FOOD SAFETY AND INSPECTION SERVICE		<u>1</u>		
<b>NATIONAL AGRICULTURAL STATISTICS SERVICE</b>				
26-099-0001-FM 93/08/19	MANAGEMENT AND SECURITY OVER LOCAL AREA NETWORKS AND STATISTICAL FORECASTING DATA			
TOTAL: NATIONAL AGRICULTURAL STATISTICS		<u>1</u>		
<b>FOOD AND NUTRITION SERVICE</b>				
27-002-0023-HY 93/08/24	FOOD DISTRIBUTION MANAGEMENT AND CONTROLS	\$663,997		
27-013-0050-CH 93/04/26	FOOD STAMP CLAIMS PROCESSING - MI DEPARTMENT OF SOCIAL SERVICES	\$16,909		\$21,365,575
27-018-0004-SF 93/07/20	FOOD STAMP PROGRAM - ADMINISTRATIVE COSTS CA	\$1,729,149		
27-019-0072-CH 93/09/30	JOINT AUDIT-INVESTIGATIVE TASK FORCE - FSP RETAILER FRAUD			
27-023-0196-CH 93/05/14	NATIONAL SCHOOL LUNCH PROGRAM - CHICAGO BOARD OF EDUCATION			\$1,303,752
27-029-0512-HY 93/09/30	FNS-CACFP LYNCHBURG COMMUNITY ACTION GROUP	\$1,000		
27-029-0513-HY 93/09/30	FNS-CACFP HONEY TREE EARLY LEARNING CENTERS			
27-029-0514-HY 93/09/30	FNS-CACFP TIDEWATER CHILD CARE ASSOCIATION			

**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
27-029-0515-HY 93/09/30	FNS-CACFP KIMBIS PLAYWORLD	\$894		
27-029-0516-HY 93/09/30	FNS-CACFP RICHMOND COMMUNITY ACTION PROGRAM	\$243		
27-029-0517-HY 93/09/30	FNS-CACFP CHILD NUTRITION INC.	\$1,070		
27-070-0001-SF 93/04/02	FINANCIAL STATEMENTS AUDIT - FY 1992			
27-070-0004-HY 93/08/19	FY 1992 FINANCIAL STATEMENTS			
27-097-0001-HY 93/08/16	FOOD NUTRITION SERVICE - SPECIAL REQUEST			
27-099-0002-KC 93/08/04	EFFECTIVENESS OF SINGLE AUDITS IN IOWA, YEAR ENDED JUNE 1991			
27-099-0026-SF 93/09/17	SELECTED FOOD PROCESSOR - CA	\$225,592		
27-545-0079-HY 93/05/26	ABT ASSOCIATES INDIRECT COST			
TOTAL: FOOD AND NUTRITION SERVICE		<u>17</u>	<u>\$2,638,854</u>	<u>\$22,669,327</u>
<b>RURAL DEVELOPMENT ADMINISTRATION</b>				
32-545-0001-TE 93/07/16	CONTRACT PRICING PROPOSAL FOR NATIONAL RURAL WATER ASSOCIATION			\$62,990
32-676-0001-SF 93/09/30	B&I LOAN PROGRAM - LOAN SERVICING - NATIONWIDE AUDIT REPORT			
TOTAL: RURAL DEVELOPMENT ADMINISTRATION		<u>2</u>		<u>\$62,990</u>
<b>ANIMAL AND PLANT HEALTH INSPECTION SERVICE</b>				
33-545-0015-HY 93/07/16	KUO AND ASSOCIATES - INCURRED COST AUDIT	\$369,576		
33-545-0017-HY 93/06/10	ALLEN & HOSHALL, INC. - DIRECT COSTS & INDIRECT RATES	\$47,591		
TOTAL: ANIMAL AND PLANT HEALTH INSPECTION SERVICE		<u>2</u>	<u>\$417,167</u>	
<b>MULTI-AGENCY</b>				
50-099-0035-AT 93/04/29	COMPLIANCE WITH REQUIREMENTS OF PUBLIC LAWS 101-121 AND 100-690			
50-099-0036-AT 93/04/07	COMPLIANCE WITH REQUIREMENTS OF PUBLIC LAW 100-690	\$159,010		
50-099-0077-HY 93/09/30	FOREIGN DEBT MANAGEMENT			
50-550-0017-HY 93/06/09	REVIEW OF CONTRACTED ADVISORY AND ASSISTANCE SERVICES			
50-563-0087-SF 93/04/05	A-110 AUDIT REPORT ON THE UNIVERSITY OF CA SAN DIEGO FOR THE 2 FYE JUNE 30, 1990			
50-563-0088-SF 93/04/05	A-110 AUDIT RPT ON THE UNIVERSITY OF CA - BERKELEY FOR THE FYE JUNE 30, 1990			
50-563-0089-SF 93/04/05	A-110 AUDIT RPT ON THE UNIVERSITY - SANTA CRUZ FOR THE FYE JUNE 30, 1990			
50-563-0090-SF 93/07/13	A-128 AUDIT REPORT ON NORTHERN MARIANAS COLLEGE - FYE 9/30/90	\$91,122		\$64,172



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AUDIT NUMBER RELEASE DATE	TITLE	QUESTIONED COSTS AND LOANS	UNSUPPORTED* COSTS AND LOANS	FUNDS BE PUT TO BETTER USE
50-563-0202-AT 93/08/05	OMB CIRCULAR A-128, FT. VALLEY STATE COLLEGE, FORT VALLEY, GA, FOR FYE 6/30/89	\$178,542	\$178,542	
50-566-0017-CH 93/09/30	SINGLE AUDIT OF THE STATE OF MN			
50-566-0026-SF 93/04/23	A-128 REPORT ON THE CITY OF SAN JOSE - FYE 6/30/92			
50-566-0027-SF 93/08/26	A-128 AUDIT REPORT ON THE DEPARTMENT OF AGRICULTURE - STATE OF HI - FYE 6/30/92			
50-566-0041-HY 93/09/22	PA SINGLE AUDIT, A-128, STATE FY ENDED 6/92	\$473,498	\$121	
50-568-0112-HY 93/06/02	STATE OF ME, A-128, SFYE 6/30/90	\$50,967	\$30,186	
50-568-0113-HY 93/06/02	VA DEPARTMENT OF EDUCATION, A-128 SFYE 6/30/90			
50-568-0114-HY 93/06/02	CT DEPARTMENT OF HEALTH SERVICES, A-128 6/30/88 AND 6/30/89			
50-568-0115-HY 93/06/02	DISTRICT OF COLUMBIA PUBLIC SCHOOLS, A-128 9/30/91			
50-568-0116-HY 93/06/07	PUERTO RICO DEPARTMENT OF EDUCATION, A-128 6/30/90 AND 6/30/89	\$24,518		
50-568-0117-HY 93/05/27	STATE OF NJ A-128, 6/30/90	\$8,739		
50-568-0118-HY 93/07/22	DISTRICT OF COLUMBIA OFFICE OF AGING 9/30/90 A-128			
50-568-0119-HY 93/07/30	STATE OF MD A-128 6/30/91			
50-568-0120-HY 93/08/16	STATE OF NY A-128 SFYE 3/31/91			
50-568-0181-TE 93/04/30	OMB CIR A-128 SINGLE AUDIT NM DPT OF HEALTH FOR YEAR ENDED 6/30/92			
50-568-0182-TE 93/08/09	OMB CIR A-128 SINGLE AUDIT ST OF OK FOR YEAR ENDED 6/30/91			
50-568-0183-TE 93/04/30	OMB CIR A-128, SINGLE AUDIT NM DPT OF EDUCATION FOR YEAR ENDED 6/30/92			
50-568-0184-TE 93/08/26	SINGLE AUDIT MANAGEMENT- PUEBLO OF ISLETA FOR YEAR ENDED 12/31/90			
50-568-0185-TE 93/09/03	OMB CIR. A-128, SINGLE AUDIT STATE OF TX FY ENDED 8/31/91			
50-568-0186-TE 93/09/03	OMB CIR. A-128, STATEWIDE SINGLE AUDIT STATE OF TX FOR FY ENDED 8/31/92			
50-568-0240-CH 93/04/26	SINGLE AUDIT OF THE MI DEPARTMENT OF SOCIAL SERVICES			
50-568-0241-CH 93/04/30	SINGLE AUDIT WALWORTH COUNTY, WI			
50-568-0242-CH 93/05/12	SINGLE AUDIT OF THE STATE OF WI			
50-568-0243-CH 93/05/10	SINGLE AUDIT OF THE CITY OF SAGINAW, MI			
50-568-0244-CH 93/05/20	SINGLE AUDIT OF THE MI DEPARTMENT OF NATURAL RESOURCES			
50-568-0245-CH 93/05/25	SINGLE AUDIT OF THE IN DEPARTMENT OF HUMAN SERVICES			
50-568-0246-CH 93/05/26	SINGLE AUDIT OF THE CITY OF PONTIAC, MI			
50-568-0247-AT 93/05/20	OMB CIRCULAR A-128, AUDIT OF THE COMMONWEALTH OF KY, FRANKFORT, KY, FOR THE FYE 6/30/91			
50-568-0247-CH 93/06/24	SINGLE AUDIT OF THE IL DEPARTMENT OF CONSERVATION			
50-568-0248-AT 93/06/02	OMB CIRCULAR A-128, TALLAHASSEE, FL, FOR FYE 6/30/91	\$1,768	\$179	
50-568-0248-CH 93/08/19	SINGLE AUDIT OF THE IL DEPARTMENT OF PUBLIC HEALTH	\$1,170,029		
50-568-0249-AT 93/08/27	OMB CIRCULAR A-128, STATEWIDE AUDIT OF SC, COLUMBIA, SC, FOR FYE 6/30/91	\$199,886	\$188,707	

**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
50-568-0249-CH 93/07/22	SINGLE AUDIT OF THE IL STATE BOARD OF EDUCATION			
50-568-0250-AT 93/08/06	OMB CIRCULAR A-128, AUDIT OF NC, RALEIGH, NC, FOR FYE 6/30/91			
50-568-0250-CH 93/07/22	SINGLE AUDIT OF THE COUNTY OF CHAMPAIGN, IL			
50-568-0251-AT 93/07/27	OMB CIRCULAR A-128, STATE OF SC, COLUMBIA, SC FOR FYE 6/30/90			
50-568-0251-CH 93/07/28	SINGLE AUDIT OF MONROE COUNTY, IN			
50-568-0252-AT 93/07/30	A-128, DEPT. OF CONSERVATION & NATURAL RESOURCES, MONTGOMERY, AL, FYE 9/30/90			
50-568-0253-AT 93/07/30	OMB CIRCULAR A-128, SC STATE DEPARTMENT OF EDUCATION, COLUMBIA, SC, FYE 6/30/89			
50-568-0254-AT 93/07/30	OMB CIRCULAR A-128, GWINNETT COUNTY, LAWRENCEVILLE, GA, FYE 12/31/91			
50-568-0255-AT 93/07/30	OMB CIRCULAR A-128, DEPT. OF PUBLIC SAFETY, MONTGOMERY, AL, THREE FY'S ENDING 9/30/89			
50-568-0256-AT 93/08/03	OMB CIRCULAR A-128, SOUTH GA REG. DEVELOPMENT CENTER, VALDOSTA, GA, FOR FYE 6/30/92			
50-568-0257-AT 93/07/30	OMB CIRCULAR A-128, KNOX COUNTY, TN, KNOXVILLE, TN, FOR FYE 6/30/91			
50-568-0258-AT 93/09/09	OMB CIRCULAR A-128, FULTON COUNTY, GA, ATLANTA, GA, FYE 6/30/91	\$48	\$48	
50-568-0258-KC 93/04/19	A-128, NE DEPT. OF EDUCATION (FY 6/91) LINCOLN, NE			
50-568-0259-KC 93/04/20	A-128, NE DEPT. OF SOCIAL SERVICES (FY 6/91), LINCOLN, NE			
50-568-0260-KC 93/04/21	A-128, STATE OF SD (FY 6/91) PIERRE, SD			
50-568-0261-KC 93/05/06	A-128, STATE OF CO (FY 6/91) DENVER, CO	\$275		
50-568-0262-KC 93/05/10	A-128, WY DEPARTMENT OF HEALTH (FY 6/92), CHEYENNE, WY			
50-568-0263-KC 93/07/13	A-128, STATE OF MT (2 FY'S ENDED 6/30/91), HELENA, MT	\$39,597	\$757	
50-568-0264-KC 93/07/13	A-128 STATE OF UT (FY 6/91) SALT LAKE CITY, UT	\$69		
50-568-0265-KC 93/08/09	A-128 WY DEPARTMENT OF EDUCATION (FY 6/92) CHEYENNE, WY			
50-568-0506-SF 93/04/13	A-128 AUDIT REPORT ON THE CITY OF SACRAMENTO, CA, FOR FYE 6/30/90			
50-568-0507-SF 93/04/13	A-128 AUDIT REPORT ON THE CITY OF SACRAMENTO, CA, FOR FYE 6/30/91			
50-568-0508-SF 93/04/20	A-128 AUDIT REPORT ON THE STATE OF OR FOR FYE 6/30/91			
50-568-0509-SF 93/05/05	A-128 AUDIT REPORT ON CLARK COUNTY, WA, FOR FYE 12/31/91			
50-568-0510-SF 93/05/05	A-128 AUDIT REPORT ON LINN COUNTY, ALBANY, OR FOR FYE 6/30/92			
50-568-0511-SF 93/05/05	A-128 AUDIT REPORT ON THE FEDERATED STATES OF MICRONESIA FOR FYE 9/30/91			
50-568-0512-SF 93/05/05	A-128 AUDIT REPORT ON THE CITY OF SEATTLE, WA, FOR FYE 12/31/91			
50-568-0513-SF 93/05/05	A-128 AUDIT REPORT ON ID DEPT. OF FISH & GAME, FYE'S 6/30/89 & 90			
50-568-0514-SF 93/05/05	A-128 AUDIT REPORT ON CITY/COUNTY OF HONOLULU, HI, FYE 6/30/92			
50-568-0515-SF 93/05/05	A-128 AUDIT REPORT ON THE AMERICAN SAMOA GOV'T - FYE 9/30/91	\$21,370	\$21,370	
50-568-0516-SF 93/05/05	A-128 AUDIT REPORT PM DOUGLAS COUNTY, OR, FYE 6/30/92			
50-568-0517-SF 93/05/05	A-128 AUDIT REPORT ON SOLANO COUNTY - FYE 6/30/92			
50-568-0518-SF 93/05/06	A-128 AUDIT REPORT ON THE COUNTY OF MERCED, CA, FOR FYE 6/30/92			

**AUDIT REPORTS RELEASED AND ASSOCIATED MONETARY VALUES  
BETWEEN APRIL 1, 1993, AND SEPTEMBER 30, 1993**

AUDIT NUMBER RELEASE DATE	TITLE	QUESTIONED COSTS AND LOANS	UNSUPPORTED <sup>a</sup> COSTS AND LOANS	FUNDS BE PUT TO BETTER USE
50-568-0519-SF 93/05/26	A-128 AUDIT REPORT ON THE CITY OF EVERSON, WA, FOR THE 2-YEAR PERIOD ENDED 12/31/90			
50-568-0520-SF 93/05/20	A-128 AUDIT REPORT ON THE CITY OF RIVERSIDE, CA, FOR FYE 6/30/91			
50-568-0521-SF 93/06/01	A-128 AUDIT REPORT ON THE STATE OF WA - FYE 6/30/91	\$1,633		
50-568-0522-SF 93/05/28	A-128 AUDIT REPORT ON THE CITY OF RIVERSIDE, CA, FOR FYE 6/30/92			
50-568-0523-SF 93/05/24	A-128 AUDIT REPORT ON THE STATE OF HI, EXECU- TIVE OFFICE ON AGING, FOR FYE 6/30/91			
50-568-0524-SF 93/06/10	A-128 AUDIT REPORT ON THE GOVERNMENT OF GUAM - FYE 9/30/89	\$98,612	\$98,612	
50-568-0525-SF 93/06/01	A-128 AUDIT REPORT ON THE HI DEPT OF LABOR & INDUSTRIAL RELATIONS FOR FYE 6/30/91			
50-568-0526-SF 93/07/19	A-128 AUDIT REPORT ON THE COMMONWEALTH OF NORTHERN MARIANAS ISLANDS - FYE 6/30/88			
50-568-0527-SF 93/06/28	A-128 AUDIT REPORT ON HOOPA VALLEY TRIBE - FYE 9/30/91	\$3,600	\$3,600	
50-568-0528-SF 93/06/28	A-128 AUDIT REPORT ON THE CITY OF SACRAMENTO, FYE 6/30/92	\$2,896		
50-568-0529-SF 93/07/20	A-128 AUDIT REPORT ON THE COMMONWEALTH OF THE NORTHERN MARIANAS ISLANDS - FYE 9/30/89	\$2,354		
50-568-0530-SF 93/06/28	A-128 AUDIT REPORT ON THE CITY OF OAKLAND, CA - FYE 6/30/91			
50-568-0531-SF 93/06/28	A-128 AUDIT REPORT ON THE CITY OF OAKLAND, CA - FYE 6/30/92			
50-568-0532-SF 93/07/13	A-128 AUDIT REPORT ON ID DEPARTMENT OF WATER RESOURCES - 2 YEARS ENDED 6/30/91			
50-568-0533-SF 93/07/13	A-128 AUDIT REPORT ON IDAHO DEPARTMENT OF WATER RESOURCES - FYE 6/30/92			
50-568-0534-SF 93/06/30	A-128 AUDIT REPORT ON EL DORADO COUNTY, CA - FYE 6/30/92			
50-568-0535-SF 93/06/30	A-128 AUDIT REPORT ON KERN COUNTY, CA - FYE 6/30/92			
50-568-0536-SF 93/07/15	A-128 AUDIT REPORT ON FRESNO COUNTY, CA - FYE 6/30/92			
50-568-0538-SF 93/07/15	A-128 REPORT ON KING COUNTY, WA - FYE 12/3/91			
50-568-0539-SF 93/07/15	A-128 REPORT ON THE CITY OF ALHAMBRA, CA FYE 6/30/92			
50-568-0540-SF 93/07/15	A-128 REPORT ON THE CITY OF BERKELEY, CA FYE 6/30/91			
50-568-0541-SF 93/08/05	A-128 AUDIT REPORT ON THE CITY AND COUNTY OF SAN FRANCISCO, CA, FYE 6/30/91			
50-568-0542-SF 93/08/05	A-128 AUDIT REPORT ON THE CITY OF LONG BEACH, CA, FOR FYE 6/30/92			
50-568-0543-SF 93/08/17	A-128 REPORT ON THE GUAM TELEPHONE AUTHORITY - FYE 9/30/92			
50-568-0544-SF 93/08/17	A-128 REPORT ON THE CITY & COUNTY OF SAN FRANCISCO - FYE 6/30/92			
50-568-0545-SF 93/08/17	A-128 AUDIT REPORT ON THE YAP STATE GOV'T., FEDERATED STATES OF MICRONESIA - FYE 9/30/91			
50-568-0546-SF 93/08/17	A-128 AUDIT REPORT ON COMMONWEALTH - NORTHERN MARIANAS PUBLIC SCHOOL SYSTEM - FYE 9/30/89	\$59,575		
50-568-0547-SF 93/08/17	A-128 AUDIT REPORT ON THE DEPT. OF LABOR & INDUSTRIAL RELATIONS, HI - FYE 6/30/92			
50-568-0548-SF 93/08/20	A-128 AUDIT REPORT ON THE CITY OF FRESNO, CA - FYE 6/30/92			
50-568-0549-SF 93/08/20	A-128 AUDIT REPORT ON MARICOPA COUNTY, AZ - FYE 6/30/91			
50-568-0550-SF 93/08/26	A-128 AUDIT REPORT ON HI DEPARTMENT OF LAND AND NATURAL RESOURCES - FYE 6/30/92			

**AUDIT REPORTS RELEASED AND ASSOCIATED MONETARY VALUES  
BETWEEN APRIL 1, 1993, AND SEPTEMBER 30, 1993**

AUDIT NUMBER RELEASE DATE	TITLE	QUESTIONED COSTS AND LOANS	UNSUPPORTED* COSTS AND LOANS	FUNDS BE PUT TO BETTER USE
50-568-0551-SF 93/08/26	A-128 AUDIT REPORT ON THE CITY OF LOS ANGELES CA - FYE 6/30/92			
50-568-0552-SF 93/08/30	A-128 AUDIT REPORT ON THE STATE OF AK - FYE 6/30/91	\$275,523		
50-568-0553-SF 93/09/27	A-128 REPORT ON MARICOPA COUNTY, AZ, FYE 6/30/92			
50-568-0554-SF 93/09/27	A-128 REPORT ON THE COUNTY OF SANTA BARBARA, CA - FYE 6/30/92			
50-600-0006-FM 93/09/30	FY 1992 USDA FINANCIAL STATEMENTS			
50-600-0008-AT 93/06/18	ADJUSTED WORLD PRICES - UPLAND COTTON AND RICE	\$183,300,000		\$9,700,000
50-600-0008-KC 93/07/01	WATER QUALITY INITIATIVES			
TOTAL: MULTI-AGENCY		<u>111</u>	<u>\$186,163,631</u>	<u>\$586,294</u>
TOTAL: RELEASE - NATIONWIDE		<u>208</u>	<u>\$289,781,318</u>	<u>\$1,282,394</u>

# Appendix IV

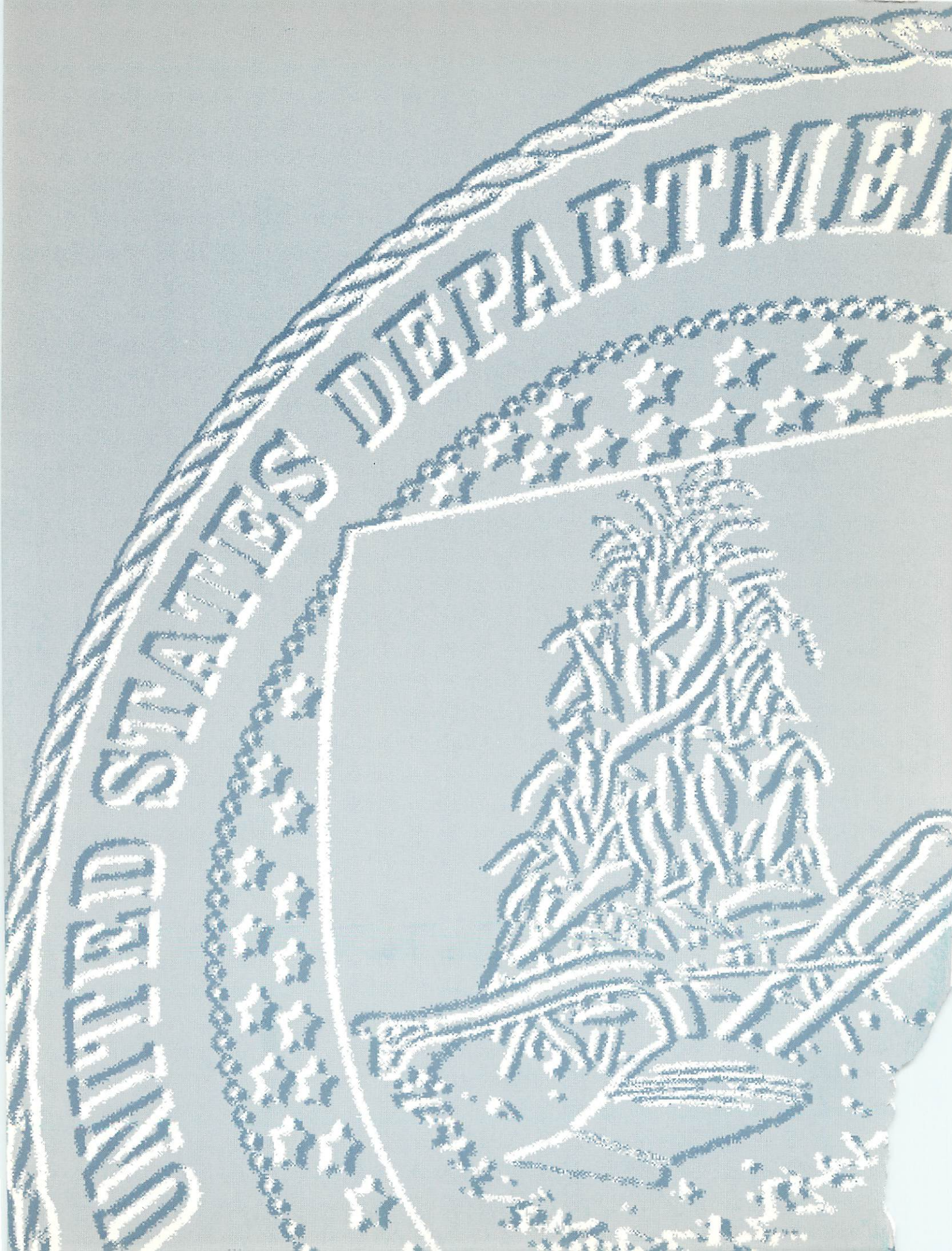
## CROSS REFERENCES TO REPORTING REQUIREMENTS OF THE INSPECTOR GENERAL ACT

The table below cross-references the reporting requirements prescribed by Section 5(a) of the Inspector General Act of 1978, as amended, to the specific pages where they are addressed.

<u>Requirement</u>	<u>Page</u>
(1) Significant Problems, Abuses, and Deficiencies .....	6-35
(2) Significant Recommendations for Corrective Action .....	6-35
(3) Significant Prior Recommendations on Which Corrective Action Has Not Been Completed .....	*
(4) Matters Referred to Prosecutive Authorities, .....	6-35
and the Prosecutions and Convictions Which Resulted .....	& 42
(5) Summary of Reports of Instances Where Information Was Refused .....	None
(6) List of Audit Reports Issued .....	48-56
(7) Summary of Each Significant Report .....	6-35
(8) Statistical Tables on Management Decisions on Questioned Costs .....	45
(9) Statistical Tables on Management Decisions on Recommendations That Funds Be Put To Better Use .....	46
(10) Summary of Each Audit Report Over 6 Months Old for Which No Management Decision Has Been Made .....	36-41
(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.



UNITED STATES DEPARTMENT OF THE INTERIOR