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Department of  
Agriculture

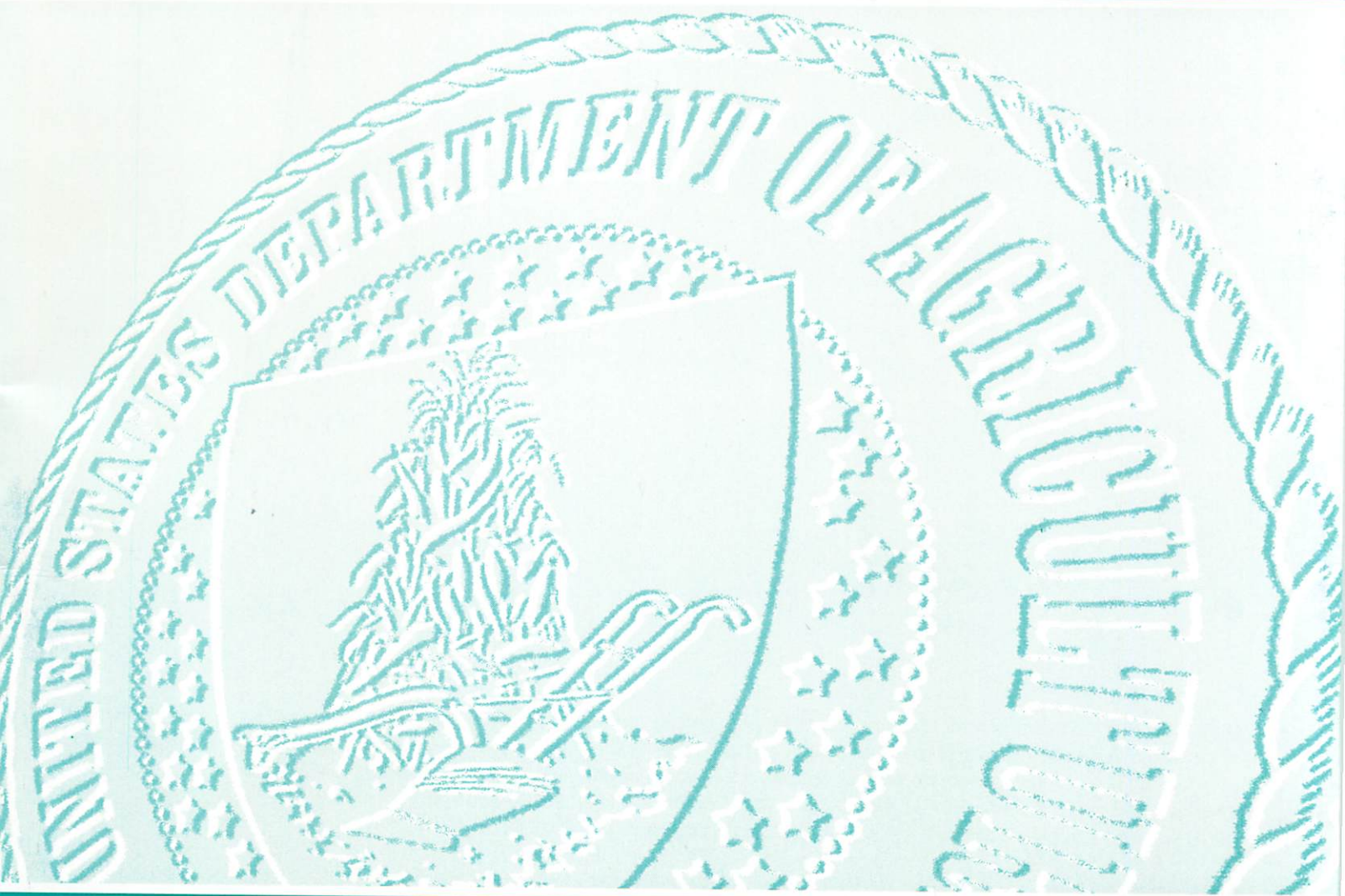
Office of  
Inspector  
General

April 1994

No. 31

# Office of Inspector General Semiannual Report To Congress

FY 1994- First Half



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United States  
Department of  
Agriculture

Office of  
Inspector  
General

Washington,  
D.C.  
20250

April 29, 1994

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

Dear Mr. Secretary:

I am pleased to submit the Office of Inspector General's Semiannual Report to Congress summarizing our activities for the 6-month period ending March 31, 1994.

During this period, our audit and investigative efforts resulted in \$30.5 million in recoveries, fines, restitutions, claims established, and administrative penalties. Management agreed to put an additional \$20.4 million to better use. We also identified \$65.4 million in questioned costs that cannot be recovered. Our investigative efforts resulted in 426 indictments and 468 convictions.

Once again, 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. Several of these efforts are particularly noteworthy. Following the devastating earthquake in Los Angeles last January, a number of complaints were received regarding illegal activities in the food stamp program. Speedy action by teams of special agents, auditors, and Food and Nutrition Service compliance investigators resulted in numerous successful prosecutions and turned around a negative media environment. Collaboration between Agricultural Marketing Service staff and our auditors also continues to result in benefits. During this reporting period, joint efforts have assisted the U.S. Attorney's Office in Fresno, California, in identifying potential violations of navel orange marketing orders and settling widespread litigation in this area. Finally, the Department's financial management community has made significant improvements in agency financial systems and reporting processes. As a result, we were able to complete our financial statement audits earlier this year, and with more favorable results.

We look forward to continuing these collaborative efforts as we seek to help improve the efficiency and effectiveness of the Department's operations.

Sincerely,

CHARLES R. GILLUM  
Acting Inspector General

Enclosure

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# Executive Summary

This is the 31st Semiannual Report issued by the Office of Inspector General (OIG), U.S. Department of Agriculture (USDA), pursuant to the provisions of the Inspector General Act of 1978 (Public Law 95-452), as amended. This report covers the period October 1, 1993, through March 31, 1994.

## Monetary Results

During this period, we issued 136 audit reports and reached management decisions on 164 audits. Based on this work, management officials agreed to recover \$11.8 million and put an additional \$20.4 million to better use.

We also issued 549 reports of investigation during this period. Our investigative efforts resulted in 426 indictments, 468 convictions, and approximately \$18.7 million in recoveries, restitutions, fines, administrative penalties, and claims established.

## 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 retailers, wholesalers, and operators of lunch wagon services who were trafficking in food stamps. In three unrelated cases, five people who either operated home delivery services or supplied lunch wagon vendors turned their operations into means of trafficking in food stamps. Collectively, these five people redeemed over \$5 million in food stamps received from the vendors. Two of the people have already received prison sentences. In other cases, we found a counterfeiter who photocopied food stamps, retailers and others who took advantage of the emergency issuance of food stamps after the Los Angeles earthquake, and individuals who trafficked in more than \$1 million worth of food stamp benefits delivered via the Electronic Benefits Transfer System.

As the result of continuing investigations into bid rigging in the National School Lunch Program, two milk companies and one former company official pled guilty to violating the Sherman Antitrust Act. They were fined \$1.06 million and ordered to pay over \$500,000 in restitution. OIG continues to assist the Antitrust Division of the Department of Justice in bid-rigging investigations across the country.

During this period, a large commodities firm paid the Government \$7 million to settle civil claims brought against it for bonuses it was not entitled to receive under the Export Enhancement Program. The settlement repays USDA subsidies, interest costs and the costs of the investigation and prosecution. Criminal action in this case may still be taken. Also described in this report are the results thus far of our 4-year investigation into the illegal sale of tobacco in excess of producers' quotas. During this period, eight tobacco dealers pled guilty to illegally selling over 26 million pounds of tobacco. Flooding the market with excess tobacco can destabilize market prices and harm the industry. Penalties on the tobacco uncovered in this case may exceed \$30 million. This investigation is ongoing in several States and has been joined by the Internal Revenue Service.

In addition to these cases, the report describes our investigations into cases of adulterated meat, fraud in USDA's rural housing and loan programs, and employee misconduct. In each of these cases, our efforts resulted in significant criminal, civil, and/or administrative action.

## Audit Efforts

During this reporting period, Food and Nutrition Service (FNS) officials asked us to look at food stamp operations in one State whose issuance error rate has been consistently high over the last 4 years (the State issued \$256.9 million in error in 1992). We found that the State's recipient caseload had exploded over that period and that two-thirds of the issuance mistakes occurred because the State did not properly verify recipient income. FNS has settled the State's growing liability by getting it to reinvest in the Food Stamp Program (FSP). In addition to our work in the FSP, we conducted reviews in the National School Lunch Program and the Child and Adult Care Food Program. FNS officials agreed to strengthen controls where problems were found.

In the Agricultural Stabilization and Conservation Service (ASCS), we found that problems persist with disaster payments for nonprogram crops. Our current audit found that producers in several States misrepresented their claims, underreported their production, or exceeded program income limits. ASCS is taking administrative action against some producers.

During the past 2 years, we have worked closely with Agricultural Marketing Service (AMS) officials to improve general compliance with marketing orders. As part of this project, we helped develop audit procedures AMS can use to evaluate produce handlers. During this period, as an outgrowth of this work, the U.S. Attorney's Office asked us to audit orange handlers who may have sold more oranges than allowed by industry quota. The request came after AMS tried to deal with a flurry of lawsuits between orange handlers, and is part of an attempt to settle the litigation. To date, we have identified a number of potential marketing order violations, as well as provided information that has been useful in reaching settlement agreements.

As part of our continuing effort to help strengthen the Food Safety and Inspection Service's (FSIS) inspection program, we reviewed inspection programs operated by both States and private plants, as well as FSIS' efforts to improve its rapid testing for micro-organisms. Although FSIS is moving towards rapid testing, we recommended that it put its procedures in writing so it can evaluate these tests effectively. Concerning State and private inspection programs, we saw a need for greater FSIS oversight. Inconsistent FSIS reviews from State to State had not determined why plant problems persisted and more FSIS attention was needed in approving and monitoring plants' quality control programs.

We also audited the Forest Service's (FS) salvage sale program, through which diseased or downed trees are sold for salvage. We recommended FS strengthen controls over its use of salvage sale receipts. Although these receipts should only pay for the costs of the salvage sales, these costs amounted to no more than 16 percent of the receipts, and we found instances in which salvage sale funds paid for other FS activities.

Our audits of agency financial statements show that improvements have been made. Agency efforts helped us complete our audits more rapidly than last year. Improvements are also underway in the area of information resources management.

### **Management Cooperation**

Once again, many of the successful efforts described in this report are the result of cooperation between OIG and program managers at all levels. In addition, Department of Justice officials, State and local prosecutors, USDA compliance staffs, and others assisted us in our efforts as we continue to help improve the Department's programs and operations.

## Summary of Audit Activities

<b>Audit Reports Issued</b> .....		136
Audits Performed by OIG .....	49	
Audits Performed Under Single Audit Act .....	74	
Audits Performed by Others .....	13	
<b>Management Decisions Made</b> .....		
Number of Reports .....		164
Number of Recommendations .....		749
<b>Total Dollar Impact (Millions)</b> .....		<b>\$97.6</b>
Questioned/Unsupported Costs .....		\$77.2 <sup>ab</sup>
Recommended for Recovery .....	\$11.8	
Not Recommended for Recovery .....	\$65.4	
Funds To Be Put to Better Use .....		\$20.4

<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 plan and seek recovery of amounts recorded as debts due the Department.

## Summary of Investigative Activities

Reports Issued .....	549
Cases Opened .....	522
Cases Closed .....	627
Cases Referred for Prosecution .....	389

### Impact of Investigations

Indictments .....	426
Convictions .....	468 <sup>a</sup>

<b>Total Dollar Impact (Millions)</b> .....		<b>\$18.7</b>
Recoveries/Collections .....	\$9.4 <sup>b</sup>	
Restitutions .....	\$4.3 <sup>c</sup>	
Fines .....	\$1.7 <sup>d</sup>	
Claims Established .....	\$2.6 <sup>e</sup>	
Administrative Penalties .....	\$0.7 <sup>f</sup>	

### Administrative Sanctions

Employees .....	45
Businesses/Persons .....	259

<sup>a</sup>Includes convictions and pretrial diversions. Also, the period of time to obtain court action on an indictment varies widely; therefore, the 468 convictions do not necessarily relate to the 426 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>Claims established are agency demands for repayment of USDA program benefits.

<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.

# OIG In Focus

In November 1993, USDA's Office of Inspector General celebrated its 30th year of service. It was created during the Kennedy administration after a well-knit agricultural fraud scheme showed that better coordination between audit and investigative organizations was needed and has evolved into its current structure through successive changes in legislation and leadership. Although its tools and techniques have changed, its function remains basically the same: to identify problems or potential problems in agriculture programs and to recommend solutions.

But even after 30 years, OIG's place in the functions of the Department isn't always understood. Questions arise about the kinds of problems we look for and the way we deal with them when we find them.

Our purpose, broadly speaking, is to provide audit and investigative services to the Department to help make sure USDA gets the most for its money, or at least gets what it paid for. To this end, we look for activities where savings might be achieved, and instances where someone has abused program rules or committed fraud to get USDA benefits. We audit the way price support payments are made to farmers, the way national forest timber is sold to loggers, and the way school lunches are served to children. We investigate people who traffick in food stamps, businesses that sell adulterated meat and poultry, large corporations that rig their bids on timber sale or school lunch contracts, and USDA employees who embezzle funds and take bribes.

To carry out this work, OIG employs about 375 auditors, 235 criminal investigators, and 240 others, including statisticians, computer specialists, lawyers, analysts, and administrative and support staff. We are located in regional offices in New York; Atlanta; Kansas City; Chicago; San Francisco; Temple, Texas; and Hyattsville, Maryland; as well as 35 suboffices and residencies. Our services reach throughout the United States, and anywhere in the world where USDA programs are delivered. In FY 1994, our budget is \$65.5 million.

We usually measure our success in terms of the contributions we make to improving Department operations, the dollars that are saved or returned to the Government, and the number of cheaters who are convicted or kicked off USDA's programs. But there's much more to OIG than that. We plan our work, but the things we find ourselves doing are often diverse and unpredictable. USDA agencies or Congress may ask our help; we may decide to revisit an area with past problems; or citizens at large may tip us off to problems we knew nothing about. For example, one caller in Illinois had us looking into the inhumane treatment of animals by pet breeders (we recommended some licenses be revoked). Another caller reported misconduct by a Government official in a foreign

post (the guilty diplomat was sent home). A third caller in California warned us of a dark and dirty warehouse where illegal cockfights were underway and the betting was hot and heavy (we arrested the owners and local police nabbed the bookies).

Getting help from citizens is indeed one way we do business. In the aftermath of the Los Angeles earthquake, for instance, rumors were rife that some people who weren't affected by the quake were getting food stamps illegally and selling them. A team made up of OIG investigators, auditors and Food and Nutrition Service staff was sent to the area immediately. Many of these cases have already been successfully prosecuted.

Our work in USDA is diverse, and our workforce reflects that diversity. Our team is made up of all creeds and colors; some have rural backgrounds while others were raised in America's largest cities. Some of us are young, fresh out of college with the latest ideas; some of us are older, seasoned by many years of experience. Rigorous training further prepares us to address the complex issues we face in our daily work. Because our work sometimes draws us into dangerous situations (as it did last year when drug dealers began to suspect that our undercover agents weren't the food stamp traffickers they pretended to be), OIG criminal investigators carry firearms and make arrests. To prepare for this responsibility, they are trained at the Federal Law Enforcement Training Center in Glynco, Georgia, and continuously refresh their firearms and defensive skills, as well as their investigative techniques. Likewise our auditors, all accountants by training, regularly enhance their knowledge of financial systems, computer techniques, and accounting practice.

Despite the diversity of their training and backgrounds, our staff members do have several things in common: they're good listeners; they like to out-guess the criminal mind; and they're dedicated to public service.

Good listening is important because we don't function in a vacuum. We have a mandate to be objective, but we must still rely on the people who run the programs and know the facts. That's why we involve these people in our work whenever we can. Even as we plan our audits and investigations, we ask USDA managers what their concerns are. They know where program weaknesses lie, and we make use of that expertise. We stay in touch with them throughout our reviews, and we keep them informed of the problems we find and the questions we have. Their responses are invaluable. Often they are the source of some of the most workable solutions we come up with.

Sometimes USDA program staff actually help us perform reviews. One recent audit into improper planting of



squash crops in Georgia began when ASCS management asked our help; a task force was born. Pairs of auditors and ASCS staff visited the county offices in question, reviewed the suspect records, and determined the extent of the problem (it was more widespread than first thought). The agency staff with us could also see first hand what was causing the problem and knew exactly what to do to fix it, even before we recommended solutions.

This kind of close cooperation works well and we have instituted a mid-year update session, to tell managers in all agencies just where we stand on audits in progress.

While management's concerns play a very important role in our planning, we also focus our attention on programs that have large dollar values or that are vulnerable because they are new, have recently changed, or have weak management controls. We spend nearly 40 percent of our resources on reviews of the Food Stamp Program, for example, because of its sheer size (over \$24 billion this fiscal year). Likewise, we focused significant resources on ASCS' deficiency payment program when Congress changed payment limits and the way they were applied to eligible "persons."

Our leads for criminal investigations come from a variety of sources. USDA program managers refer most of the allegations, but some are brought to our attention by other law enforcement agencies, the general public or even members of Congress. We also rely on information developed during an audit, if it turns up anything suspicious. Mainly, we analyze historical patterns and trends and look for the blip, the odd performer, the retailer whose food stamp sales suddenly shoot up, or the rural housing borrower whose bank accounts grow (or shrink) overnight. Successful cases often involve the cooperation of program management, other Federal agencies, such as the U.S. Department of Justice, and local authorities.

This period, for example, we are reporting on an ongoing investigation, joined by the IRS, of tobacco dealers who sold more tobacco than they were allowed under industry quota. (Tobacco sales are regulated; excess tobacco sales can flood the market and drive prices down.) We were alerted to the problem by ASCS staff, who were reconciling tobacco dealer records when they discovered that a number of dealers had unaccountable sales. They had questioned the dealers and gotten some fishy answers, so they asked OIG for a fuller investigation. We first had to learn the ins-and-outs of tobacco sales before we could tell how many dealers, farmers, and warehousemen were part of the scheme. We discovered that the illegal sales exceeded 25 million pounds; the IRS, which joined our efforts, also discovered potential income tax violations.

When we find a criminal violation, we work with U.S. attorneys and local authorities to get the offenders prosecuted and hopefully recover some of the Government's losses. When we don't find a criminal violation, we refer the matter to program management. Managers can then take administrative action against the guilty parties (by removing them from their position, for example, or barring them from future contracts).

Our recommendations and referrals are more than advisory. Managers must act on our recommendations or offer solutions of their own. But we don't replace management's control of the program. Management still makes its own policy and runs its own operations. We can try to influence that policy and change the operations if we see problems in them, but that's the extent of our reach. In the final analysis, managers make the decisions on how their programs will meet the mandates of the law.

During the past year, reinvention has become a common theme. Agencies are looking anew at how they do business and thinking about ways they can do it better. We too are reinventing how we fit in. We want to improve the timeliness of our reviews, for one thing. We plan to answer public concerns about fraud, waste, and abuse promptly, and our early efforts at this are showing results. When televised reports of shoddy practices in a meat-packing plant in Nebraska brought an urgent request for a review, OIG auditors and investigators were standing at the plant doors before they opened the next Monday morning.

Program managers are also becoming more involved in our work. We're forming more task forces with agency specialists, and we're getting more agency officials to attend our planning sessions. As we plan our audits and investigations, agency heads can explain what they hope to get out of our work, and we can explain what we hope to give them. In some cases, we can actually help the agencies develop the same management tools that we provide. For example, one task force helped the Agricultural Marketing Service write its own audit guide. The agency needed a way to objectively determine if commodity handlers are violating marketing rules, and our audit guide is supplying this need.

These reinventions are small things on their own. But put together, they can make a difference that can be felt. They are the result of our attempts to look down the road, see where we're going, and figure out how we're going to get there. So far, the journey is proving interesting.

*(This article was written by Richard Martin, who works in our San Francisco office.)*

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

FNS funding levels for FY 1994 total approximately \$36.9 billion. Three of FNS' programs receive the bulk of this funding: the Food Stamp Program (\$24.2 billion), the Child Nutrition Programs (\$7.2 billion), and the WIC Program (\$3.3 billion). Because of the size of the Food Stamp Program and the continued potential for fraud in it, we allocated substantial audit and investigative resources to this area.

### Food Stamp Program (FSP)

#### Milk Delivery Company Owner Sentenced in \$2.3 Million Food Stamp Fraud

In Los Angeles, the owner of a milk delivery company was sentenced to 27 months in Federal prison and ordered to pay \$115,000 in restitution after he pled guilty to illegally redeeming \$2.3 million in food stamps. Our investigation disclosed that the dairy operator began a home delivery company in 1989 and was authorized by FNS to accept food stamps for his sales of dairy products. However, he began to accept food stamps from other dairy drivers who had obtained the stamps illegally. He then redeemed the stamps through his bank and charged the drivers a 5-percent handling fee. After a while, he quit selling dairy products and gave his full attention to redeeming food stamps obtained from the other drivers. By the time he was caught, he was illegally redeeming between \$2,000 and \$6,000 in food stamps per day.

#### Lunch Wagon Supplier Pleads Guilty to \$2 Million Food Stamp Fraud

In Hawaii, a retail grocer, who was acting as a wholesaler for lunch wagons, pled guilty to food stamp trafficking and conspiracy. Our investigation disclosed that over a 4-year period the "wholesaler" illegally redeemed \$2 million in food stamps purchased from

lunch wagon vendors who were not authorized to accept the stamps and allowed the vendors to use food stamps to purchase supplies for their lunch wagons, charging a 10-percent surcharge for this service.

This case was conducted jointly with investigators from the State of Hawaii. Sentencing is pending.

### Three Plead Guilty in \$730,000 Food Stamp Fraud

Three Mississippi men pled guilty to charges of conspiracy and redeeming illegally obtained food stamps. The men operated two food delivery routes and were authorized to accept food stamps on the routes, but they used the arrangement as a front to buy the stamps. During a 16-month period in 1991 and 1992, they collectively redeemed \$730,000 in food stamps.

The ringleader of the operation enlisted the aid of the other two men to obtain the authorizations from FNS. He had previously been disqualified from participating in the FSP for 3 years by FNS for his excessive food stamp redemptions in another business he operated.

The ringleader was sentenced to 2 years in prison, given an additional 3 years' probation, and ordered to pay \$400,000 in restitution. One of the remaining two individuals was also sentenced to prison; both were given probation and ordered to pay restitution.

### 33 Arrested in Los Angeles Earthquake Food Stamp Fraud

To help those whose food supply had been destroyed by the January 17 earthquake in Los Angeles, USDA issued approximately \$68 million in emergency food stamps. During this emergency issuance, a number of complaints were received alleging that some people were getting food stamps who did not need them and that others were illegally buying or selling the stamps. Investigations were immediately initiated by OIG agents, assisted by FNS compliance investigators, to address the allegations. Within 3 weeks, 33 people had been arrested for illegally trafficking in food stamps. Included in this group were 16 people who were associated with retail grocery stores authorized to accept and redeem food stamps. To date, 13 of those arrested have pled guilty and 7 have been sentenced to prison. The prosecutions are being handled by the Los Angeles County district attorney and the U.S. attorney in Los Angeles.

## **Counterfeiter Photocopies Food Stamps**

A Texas man pled guilty in Federal court to counterfeiting food stamps. Our joint investigation with the U.S. Secret Service, the Dallas Police Department, and the Dallas District Attorney's Office showed the man counterfeited the food stamps by using self-service laser color copiers at various Dallas businesses. The man, a food stamp recipient, admitted to counterfeiting between \$26,000 and \$30,000 in food stamps which he said he sold to people for about one-half face value. The counterfeiter was sentenced to 1 year in prison and given 3 years' probation.

## **EBT Fraud by Retailers**

The owner and eight employees of two small retail food stalls in an indoor market in Baltimore were arrested for trafficking in more than \$1.2 million worth of food benefits delivered via the Electronic Benefits Transfer (EBT) system. The EBT system works like an automated teller machine, transferring payment from FNS to the grocer's account whenever a recipient buys food. The EBT card allows those eligible for food stamps to buy food without using stamps. EBT provides investigators with a powerful weapon to detect and prosecute trafficking.

Seven of the nine people involved in the trafficking admitted that while they operated meat and produce stalls in Baltimore between January 1992 and December 1993, they routinely paid cardholders for their EBT benefits. The managers of both stalls stated that they had to hire floor monitors inside the market to control the crowds of recipients who thronged to the stalls during the peak EBT days at the beginning of each month to sell their food benefits. Seven of those arrested pled guilty, culminating a 6-month investigation which resulted in the execution of search warrants at the two stalls. Sentencing is pending on these seven individuals; two remaining subjects are still awaiting trial.

## **Suspects Plead Guilty to Food Stamp Fraud**

As a result of an investigation in New York City conducted jointly with the U.S. Department of Labor's Office of Labor Racketeering, the U.S. Postal Service, and the Bureau of Alcohol, Tobacco and Firearms, a store owner and one other person pled guilty to illegally purchasing over \$24,000 in food stamps from an

undercover OIG agent. A third person has been charged with food stamp trafficking and is awaiting trial. During the operation, one suspect bragged to the undercover agent that he could purchase \$10,000 worth of food stamps every day. Sentencing for the two who pled guilty is scheduled for later this year.

## **False Claims Act Used Against Food Stamp Retailers**

USDA continues to work with the U.S. Department of Justice to use the civil False Claims Act against retailers caught trafficking in food stamps. For example, during this period:

- Nine store owners in New Jersey and Massachusetts paid over \$88,640 to settle civil suits brought against them for illegally purchasing over \$20,600 in food stamps.
- Default judgments totaling \$120,800 were brought by a U.S. District Court in New Jersey against two grocery store owners who illegally purchased \$8,630 in food stamps and failed to respond to complaints filed under the False Claims Act.

## **Corrective Actions Needed To Reduce Florida's Error Rate**

Each year, States administering the FSP issue some food stamps in error. Florida has had one of the highest error rates in the Nation for 3 of the last 4 years. In FY 1992, it had the highest rate, 19.7 percent. (See Figure 1.) That year, the State violated Federal regulations by extending the time it would allow recipients to receive food stamps before recertifying them as eligible.

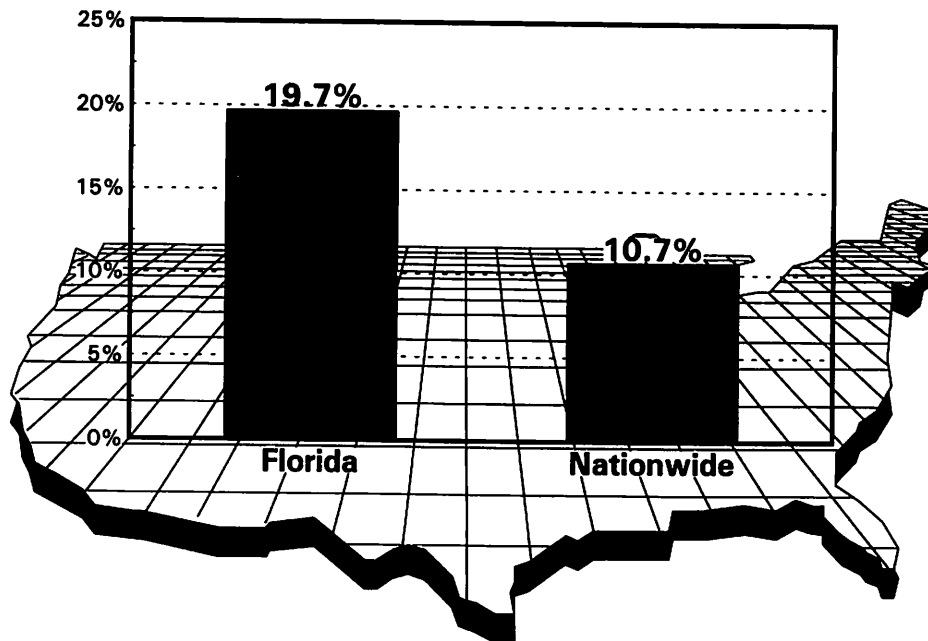
At FNS' request, we audited Florida's administration of the FSP. FNS asked us to identify why the State had such a high error rate, what it was doing to correct it, and how much it had issued improperly as a result of the extended certification periods.

We found the State's error rate was high for several reasons.

- Eligibility worker staffing levels remained stable while the food stamp caseload grew from 261,000 households in FY 1989 to 606,000 in FY 1993, a 132 percent increase.

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Figure 1  
**FY 1992 Quality Control Error Rates**



- 
- Eligibility workers did not use the Income Eligibility Verification System to verify recipients' income. Errors in income caused \$163.4 million (64 percent) of the \$256.9 million in payment errors the State made in FY 1992.
  - The State improperly extended certification periods when it found itself without a workable statewide computer system to certify households and unable to manage the caseload growth. Through mutual agreement, Florida and its contractor ended their working relationship on the Florida computer system in June 1992. In 1992, the improper certification periods resulted in overissuances of \$86.5 million, about 34 percent of the payment errors made that year.
  - The State issued \$709,000 in duplicate benefits.

Florida's attempts to reduce its error rate were not successful because its corrective action plans did not address food stamp cases that were prone to errors and because supervisory reviews of eligibility workers' certifications were suspended in 1991. Also, the State is still not using the Income Eligibility Verification System to verify recipient income, the greatest source of its error rate.

During the audit, we also reviewed the State's effectiveness in recovering overissuances through claims collections. We found that the State:

- Had a backlog of 179,000 unprocessed food stamp claim referrals of about \$69.4 million.
- Could not collect \$1.5 million of accounts receivable from 4,100 households because the food stamp claims were not in the computer system.

We made a series of recommendations to Florida officials to address the reported deficiencies. We also recommended that FNS (1) coordinate with the Department of Health and Human Services to help reduce error rates in States like Florida where it shares eligibility workers and computer systems with FNS, (2) consider Florida's error rate history when evaluating the State's request to have its liabilities to FNS reduced, and (3) determine if the State was negligent when it violated certification period regulations and, if so, collect the associated losses.

FNS and Florida reached settlement in 1994 on the projected liabilities contained in the audit report. The settlement resolved the potential liabilities found in the report, as well as outstanding quality control sanctions from 1992 and 1993. In addition to an immediate cash payment of \$680,000 for the duplicate issuances, Florida agreed to reinvest a minimum of \$16.5 million in FSP improvements over the next 5 years, or up to a maximum of \$23.5 million if specified performance targets are not met.

#### **Food Stamps Issued by Mail Are Vulnerable to Theft**

States issue food stamps to recipients by various methods, including delivery through the U.S. Postal Service. In FY 1993, 42 States and their agents mailed over \$6.3 billion in food coupons directly to recipients and reported over \$23.9 million in mail losses.

Our audit evaluated whether States that mailed food stamps could ensure that the stamps were not stolen or embezzled before they reached the post office or after they were returned as undeliverable. We reviewed controls over inventories of food stamps, processing of food stamp envelopes, transportation of envelopes to the post office, and return of envelopes in the mail as undeliverable.

We found that food stamps issued through the mail are vulnerable to theft and embezzlement. For example, one employee at a mail issuance office was left alone with \$16 million in food stamps while his co-workers went to pick up the day's mail. In another case, an issuance site employee stole over \$5,000 in food stamps out of the return mail while under surveillance by OIG. After her arrest, she admitted to stealing \$100,000 more.

Federal regulations provide only minimal guidance to States and contracted companies on specific methods to be used to safeguard food stamps issued through the mail. Further, neither State nor FNS reviews of the FSP generally included mail issuance operations. When reviews did include mail issuance, the procedures used were inadequate to identify system weaknesses that result in the loss of food stamps.

We recommended that FNS develop more stringent internal control requirements for safeguarding food stamps issued through the mail. This includes establishing a review of mail issuance systems. FNS officials agreed with our conclusions and recommendations.

#### **Food Stamps and Cash Used by FNS Investigators Were Unaccounted For**

As a result of a whistleblower complaint, we reviewed food stamps and cash accountability at FNS' Atlanta compliance branch office. Employees at the branch use food stamps to conduct retailer investigations and have access to an average annual inventory of \$156,000 in stamps and cash. We found that FNS had not provided adequate accountability of this inventory; over \$5,700 in stamps and \$120 in cash were unaccounted for.

FNS staff had not performed required accountability reviews in FY 1992. They had not determined the accuracy of each employee's inventory of food stamps by verifying the employees' accountability reports. There were inaccuracies in the reports and documentation of transfers of food stamps between employees could not be found. Unused food coupons were not returned to area office inventory when an employee transferred between two offices, but instead were taken by the investigator and entered into the inventory of the area office to which he transferred. Cash obtained from transactions in a number of retailer investigations was not remitted to the U.S. Treasury once cases were closed.

We recommended that FNS (1) implement procedures and controls to ensure that food stamps and cash are accurately accounted for and that cash from closed cases is promptly remitted, and (2) determine whether employees should be held liable for shortages. FNS officials agreed with our recommendations.

### **Some States Claim 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 food stamps, and operating data processing systems. They are also reimbursed for 75 percent of their costs for conducting antifraud activities, and for 50 to 100 percent of their costs for conducting employment and training programs.

In the previous period, we reported continuing problems with improperly claimed administrative expenditures in the FSP. During this period, we began audit work in five additional States as part of a nationwide audit to evaluate the propriety of administrative costs claimed by States and the effectiveness of FNS' controls over the claims. This period we have issued two State audit reports. The audits identified more than \$522,000 in questioned costs. The States claimed ineligible costs for antifraud reimbursement as well as for non-FSP activities.

We recommended that FNS recover all of the costs questioned and implement controls to prevent the recurrence of these conditions. (Recent legislation has discontinued the 75 percent reimbursement for antifraud activities.) FNS officials agreed with our findings and are taking actions to implement the recommendations.

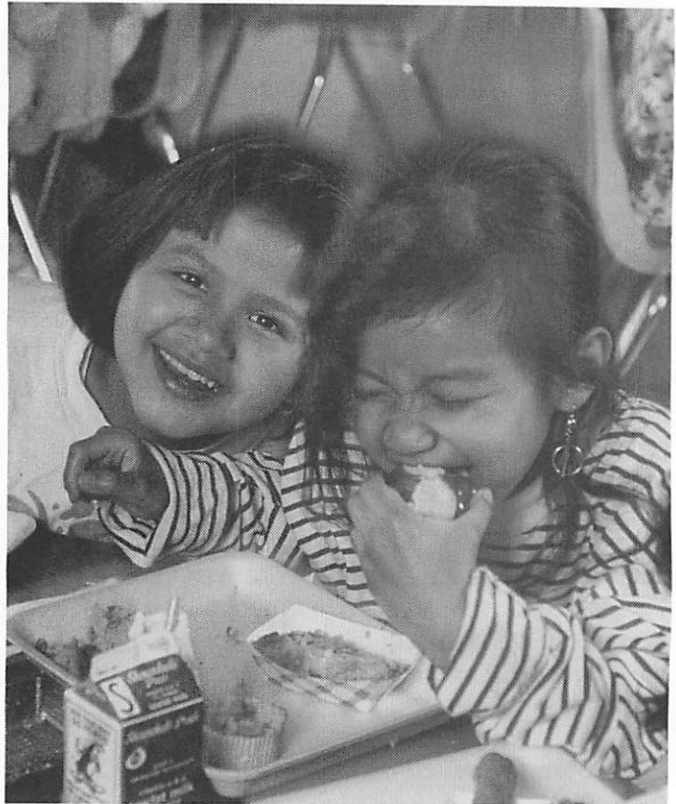
We are currently analyzing the results of the five State reviews of FSP administrative costs to identify trends and make recommendations to FNS to improve operations.

### **National School Lunch Program (NSLP)**

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

In Connecticut, two milk companies and one former company official pled guilty to violating the Sherman Antitrust Act and were fined \$1.06 million. The two companies were also ordered to pay a total of \$550,000 in restitution.

The investigation, conducted by the Antitrust Division of the Department of Justice and OIG, showed that the companies conspired to submit noncompetitive bids for milk contracts with school districts in Connecticut. The



The National School Lunch Program provides nutritious meals for the Nation's children. FNS photo.

NSLP provides a substantial portion of the funding to public schools for meals and milk. The investigation is continuing.

### **Procurement Practices Result in Higher Prices for Food**

We reviewed procurement practices at the Detroit Board of Education to determine if procurement activities complied with Federal procurement standards and whether the board awarded NSLP contracts through open and fair competition. Neither FNS nor the State was aware of the board's procurement practices or of restrictions that had been imposed on vendors to qualify to bid on contracts. The board's practices resulted in prices higher than necessary for food bought for the NSLP.

- The board extended \$16 million in contracts for up to 6 years, thus preventing itself from taking advantage of any downward price fluctuations. The contracts only permitted extensions up to 2 years.



- The board paid about \$316,000 more per year for food when it failed to assess whether it was more economical to award all items bid to one vendor or to separate the items among two or more vendors.
- The board awarded bid credits to city-based, minority vendors who employed public school students. The board used the credits to discount the vendor's bid price and give him an advantage in the bidding, but if the contract was awarded, the board paid the undiscounted price. As a result, vendors with the lowest price did not always receive the contract.
- Contracts totaling \$525,000 were awarded to a vendor whose products did not meet contract specifications and were not the lowest price.
- Contracts totaling about \$5.9 million were awarded for one school year on a cost-plus-a-percentage-of-cost basis. Such contracts, which allow vendors to increase their profits as they increase their costs, are prohibited by Federal regulations.

We recommended that the board modify its procurement system to comply with Federal regulations. FNS and State officials agreed with our recommendations. We also recommended that either FNS or the State monitor the board's procurement practices to assess compliance. FNS officials indicated this is a State responsibility which could be met through the use of OMB Circular A-128 audits. We continue to believe FNS is ultimately responsible for assuring that procurement activities at the board are reviewed; however, we agree it could be accomplished through A-128 audits if procurement is included in the audit scope.

#### **Program Abuse Found in One Texas School District**

We reviewed a Texas school district's participation in the NSLP after a complainant alleged that the district served NSLP meals to people who were not eligible. We found several irregularities in the district.

- The district claimed reimbursement for free meals served to children who were not eligible. Some of the meals were given to two school officials' children. The district also encouraged some participants to misrepresent their income and claimed free or reduced-price meals on the basis of this misrepresentation. We questioned over \$32,000 in reimbursements.

- Teachers and administrative staff were given \$4,300 worth of free breakfasts subsidized by Federal feeding programs. School officials also bought hams as Christmas bonuses for the staff and charged them to the NSLP. They tried to conceal the fraudulent charges by instructing vendors to show the purchases as hamburger to be used in the NSLP.
- School officials served 117,000 meals which did not meet the meal pattern requirements. The school district received \$127,000 for these meals.
- The school district's controls did not ensure the district complied with program requirements. Some participating households had not had their incomes verified, records were not kept to support reimbursement claims, bank reconciliations were not made, and lunch counts and claims by individual schools were not reviewed.

We recommended that FNS recover the amounts claimed for ineligible and deficient meals. We also recommended that the school district verify households' incomes and maintain records to support claims. FNS and the State agreed with our recommendations and initiated corrective actions. The State will recover the \$160,000 questioned. Punitive action against the teachers and school officials involved has not yet been decided on by the State agency.

#### **Child and Adult Care Food Program (CACFP)**

##### **Audits of Day Care Providers Continue To Find Problems**

FNS pays for meals served to children who attend day care in private homes. Day care providers enroll with sponsors who have contracted with the State to administer the program. We audited day care homes in five States to assess the effectiveness of program controls and the propriety of meal claims. The five audits were initiated because a recent audit in Mississippi found problems with sponsors and day care providers, some of whom had claimed meals for absent or nonexistent providers and children.

We reviewed 300 providers and identified deficiencies at over half of them. Twenty-six claimed meals for absent or nonexistent children. Many providers also maintained improper meal count records, served unauthorized meals, let their provider agreements

expire, and could not document child enrollment. Many of the sponsors we reviewed did not monitor the day care homes as often as required or provide training to them. We questioned improper and unsupported meal claims totaling about \$76,500.

We are currently analyzing the results of the five audits to develop statistical estimates of the deficiencies and the meal overclaims. Based on these analyses, we plan to issue a report to FNS officials recommending programwide improvements in controls.

In the State reports, we recommended that FNS and the States require sponsors to strengthen oversight by making unannounced visits to providers, and by improving tests of meal claims. We also recommended improvements in State oversight of sponsors and providers and recovery of overclaimed meals and administrative costs. FNS officials generally agreed with our recommendations and are initiating corrective actions.

### **Other Food Programs**

#### **Sponsors Pay \$200,000 for Summer Feeding Program Overclaims**

Two sponsors in New York City paid a total of \$200,000 to settle civil lawsuits for excessive claims they submitted to FNS for the Summer Feeding Program. The overpayments occurred when the summer sports programs at two colleges double-billed USDA for food services.

### **Food Processor Illegally Withheld \$138,000 in USDA Commodities**

In Chicago, the president and vice president of a food processing firm were charged with conspiring to defraud USDA by concealing the firm's under-use of USDA commodities in the National Commodity Processing Program. The firm, which supplied food to schools, retained portions of these commodities for its own use.

A joint FNS-OIG review found deficiencies in the firm's processing procedures. After OIG served a subpoena on the firm to produce its records, the defendants directed employees to make false entries that would show the use of donated food at or above standard levels, when the actual use fell below such levels. They refused to permit certain records to be provided under the subpoena, altered quality control records before giving them to OIG, and directed employees to destroy other records that should have been submitted. The defendants also changed the firm's policy regarding record retention to show that records that were subpoenaed had only been retained for 1 year instead of 3 years. They then falsely certified that the company had complied with the IG subpoena.

The president and vice president pled guilty to all charges. One defendant was sentenced to 2 months' home confinement and given 2 years' probation; the other was given 2 years' probation, 200 hours of community service, and a \$5,000 fine. The firm's parent company agreed to pay FNS \$138,000 and subsequently filed civil suits against the two people charged, as well as other company officials, to recoup the proceeds paid to FNS.

# 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 1994, ASCS estimates expenditures of \$2.1 billion for conservation programs and \$731 million for salaries and expenses. CCC funds all other program operations, with estimated outlays of \$17.3 billion.

### Tobacco Dealers Guilty of Illegally Selling 26 Million Pounds of Tobacco

A 4-year investigation of the flue-cured tobacco industry netted eight tobacco dealers from North Carolina and

Virginia who pled guilty to illegally selling over 26.4 million pounds of excess tobacco. The penalty on sales of this volume is \$33 million.

The tobacco program is designed to ensure that the supply of tobacco is consistent with the

anticipated demand. ASCS assigns a quota to each farmer on a yearly basis, telling each how much tobacco he or she can sell. When a farmer sells over quota, he or she is required to pay a penalty to ASCS. If a farmer sells substantial quantities of excess tobacco, the market supply will exceed the anticipated demand, resulting in lower prices to all tobacco farmers and a lower market demand for tobacco in subsequent years.

Our investigation determined that between 1987 and 1991, the eight tobacco dealers participated in a scheme to buy and sell excess tobacco and to conceal their transactions by submitting false reports to ASCS. The investigation also disclosed that the dealers structured over \$3.7 million in currency transactions through financial institutions in such a way as to avoid filing currency transaction reports with the IRS. They also failed to report these sales as income to the IRS.

The scheme we uncovered involved farmers and warehousemen as well as dealers. The farmers took their excess tobacco to a warehouse, where they offered to sell it. Because the sale of excess tobacco is illegal, the farmers offered it for much less than market value. The dealers who bought it were taking a risk, but they were able to resell it at market prices and made a substantial profit. The warehousemen facilitated some of these transactions and received benefits from kick-backs or from commissions on the sales. The farmers received money from sales that they would otherwise not have made and that they usually did not report to the IRS.

This is part of an ongoing, multi-State investigation conducted jointly by OIG and the IRS.

### Warehouse Owner Illegally Markets Tobacco

The owner of a tobacco warehouse in Kentucky pled guilty to making false statements to illegally sell excess Burley tobacco. The warehouse owner bought a tobacco marketing card from a farmer and used it to market about 4,000 pounds of tobacco. A search of the warehouse produced evidence that the owner engaged in other illegal tobacco sales using fictitious inspection certificates.

The warehouse owner was sentenced to 6 months in prison and was fined over \$9,000. A tobacco grader working for the Agricultural Marketing Service (AMS)

U.S. Department of Agriculture  
FLUE-CURED TOBACCO MARKETING CARD

STATE: 51 COUNTY: 143 FARM NO.: 0001173  
FARMER'S ADDRESS: 799303  
FARMER'S NAME: HAROLD FLUE CHATHAM, VA

Farmers are assigned a marketing quota under ASCS' tobacco program. Sales are tracked on cards like these. Tobacco sales above established quotas could exceed market demand and depress farm income. ASCS photo.

was implicated as a coconspirator and resigned after providing testimony against the warehouse owner. The warehouse owner also faces administrative penalties of \$77,500.

### **Beekeeper Uses Beeswax To Get Honey Loans**

In Nebraska, a beekeeper falsely certified to the amount of honey he had stored as collateral for loans obtained through CCC. A Federal grand jury indicted the beekeeper for making false statements to obtain over \$382,000 in loans. The investigation disclosed that the producer filled honey barrels with gravel and beeswax and reported to an inspector that the barrels were full of honey.

The borrower pled guilty and was sentenced to serve 5 months in prison, followed by 5 months of home confinement. The borrower was further ordered to pay over \$221,000 in restitution to CCC.

### **Producer Pleads Guilty to Evading Payment Limits**

Many farm program payments are limited by law. Each "person" contributing to a farming operation may receive up to \$50,000 in payments, if the "person" meets eligibility requirements. In 1987, Congress tightened controls over these requirements by further limiting eligibility. However, the new requirements allowed producers to reorganize their farming operations in 1989 as long as they did not increase the number of "persons" above the number organized in 1988. Therefore, many large partnerships, with more than enough "persons" to maximize payments, merely transferred ownership among the corporate partners to satisfy the requirements.

In Michigan, a corn producer pled guilty to evading this payment limitation. The producer convinced an unwitting accomplice to pose as an independent farmer working the producer's land on a cash-lease basis. The accomplice collected corn deficiency payments from ASCS over a period of 5 years and turned all the proceeds over to the producer, who had already reached the \$50,000 limit. During an interview with OIG, the producer disclosed his involvement in a similar scheme he implemented with another accomplice previously unknown to the Government.

The producer made full restitution of \$241,000 to ASCS at the time he entered his plea. Administrative claims against the producer are pending.

### **Problems Persist in Disaster Payments for Nonprogram Crops**

The Food, Agriculture, Conservation, and Trade Act of 1990 provides for disaster benefits to farmers who lost at least 40 percent of their crop (35 percent for crops insured under the Federal Crop Insurance Act) because of bad weather in 1990. The Dire Emergency Supplemental Appropriations Act of 1992 made available \$1.75 billion to implement the provisions of the 1990 act for crop losses in 1990, 1991, and 1992.

We reviewed 1990 and 1991 disaster payments totaling \$5.6 million made to 231 producers in 5 States. We identified 79 producers (34 percent) who received about \$3 million in overpayments.

- Twenty-four producers in five States underreported their crop production to ASCS and were ineligible for nonprogram disaster payments. Because these producers falsified their crop production, four of them, who also grew program crops, were ineligible for program disaster benefits.
- Thirty-one producers in one State provided false information to ASCS when applying for disaster benefits. These producers were also ineligible for other disaster and deficiency payments.
- Twenty producers in two States misrepresented their shares in nonprogram crops. The producers operated under agreements with others who either shared in the risk of growing the crops for a percent of the proceeds, or assumed all of the risk if the arrangement resulted in a loss.
- Four producers in three States received disaster payments even though they exceeded the \$2 million income limitation. The producers certified that they were aware of the qualifying income provisions and that they were eligible for the payments. Income tax records showed that the producers had income in 1989 or 1990 which exceeded the limitation.

Producers who submitted false information are under administrative review for corrective action. Some are also under OIG investigation.

ASCS spot-checks generally did not detect overpayments to producers. Included in OIG's sample were 52 farms ASCS selected previously for spot check. We

found that 25 of these received improper payments ASCS had not detected because the spot checks were not made or were inadequate.

We recommended changes in ASCS regulations and procedures to improve controls over future disaster payments for nonprogram crops.

### **Mother, Son Sentenced in Disaster Payment Scheme**

An Alabama farmer was sentenced to 8 months in prison and 3 years of supervised release after he pled guilty to defrauding the ASCS disaster program. The farmer reported 1990 drought losses of 26 acres of cantaloupes when the crops were in fact never planted. The farmer was also ordered to pay \$9,000 in restitution. The farmer's mother, who pled guilty to a similar scheme involving \$22,000 in disaster payments, was ordered to pay a \$5,000 fine and \$10,000 in restitution. She was placed on probation for 3 years.

### **Livestock Dealer Guilty of Cheating Wool Program**

As a result of a joint investigation with the inspection and consumer services division of the Colorado Department of Agriculture, a Colorado livestock dealer was convicted on State theft charges. The dealer cheated CCC out of nearly \$55,000 in wool incentive payments by making false claims, and he bilked a livestock firm and a rancher out of over \$148,000 in a lamb marketing scheme. Under the terms of a plea agreement, the dealer will make restitution of \$203,000 to CCC and to other victims. He was also placed on probation for 6 years and ordered to pay fines and assessments of over \$7,000.

### **Agribusinessman Sentenced to Prison**

A Colorado agribusinessman was sentenced to 15 months in prison and ordered to make restitution of almost \$126,000 to CCC. The sentence came as a result of a jury trial which found the defendant guilty on 2 counts of converting a total of over 53,000 bushels of wheat and barley mortgaged to CCC.

### **ASCS To Assess \$1.2 Million Penalty on Peanut Handler**

Peanut program regulations monitored by ASCS and AMS limit the quantity of peanuts each handler is allowed to market for human consumption and require the peanuts to be inspected to ensure that only peanuts of good quality enter edible market channels. Handlers are required to identify peanuts on producers' marketing cards and maintain records of all peanut production. State inspectors are responsible for peanut quality inspections under the supervision of the AMS. Violations of the inspection requirements result in an assessment of penalties equal to 140 percent of the support price for quota peanuts.

Our audit disclosed that a peanut handler in Texas violated ASCS program regulations during 1991 and 1992 and is subject to over \$1.2 million in penalties. During that time, the handler sold peanuts for human consumption even though they were not inspected, did not properly identify peanuts on producers' marketing cards, did not keep proper records, and marketed peanuts in excess of the farm's quota. In order to obtain official inspection certificates on over-quota production and on uninspected production, the handler (1) prepared fictitious weight tickets to account for production no longer on hand and (2) manipulated the movement of peanuts into the grading area to make the inspector think he was grading all of the quota peanuts.

We also found that the State inspectors graded peanut samples without knowing the origin of the peanuts. The handler was supposed to identify the peanuts by lot to ensure that the peanuts delivered were the same ones described on the inspection certificate. AMS' review and monitoring procedures were not adequate to determine whether peanut handlers were in compliance with inspection regulations.

ASCS agreed with our recommendations and has initiated action to assess penalties in excess of \$1.2 million. We also recommended that AMS coordinate with ASCS on the assessment of a \$121,000 penalty (part of the \$1.2 million) against the handler, emphasize grading procedures to all State inspectors, and develop procedures for conducting reviews of handlers. AMS agreed with our recommendations and is initiating corrective actions.

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

FAS expands foreign markets for U.S. farm commodities by gathering, analyzing, and issuing information on foreign market supply and demand; by working to gain access to foreign markets; and by administering programs designed to promote U.S. agricultural commodities in foreign countries and to help other countries, through international cooperation and development, become future trading partners. 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).

## **Exporter Pays \$7 Million Settlement**

As the result of an OIG audit and investigation, a large New York-based commodities firm paid the Government over \$7 million for export bonuses it was not entitled to receive. The settlement amount repays \$5.6 million in USDA subsidies that the firm received through the Export Enhancement Program, \$1.2 million in interest costs, and \$200,000 in fees to cover the cost of the Government's investigation and prosecution of the firm.

The investigation looked into allegations that employees of the commodities firm provided false information to the CCC in order to receive inflated export enhancement bonuses. The settlement only covers civil claims and does not preclude future criminal prosecution or administrative actions.

This investigation is continuing.



# Marketing and Inspection Services

## Agricultural Marketing Service (AMS)

AMS enhances the marketing and distribution of agricultural products by collecting and disseminating information about commodity markets, administering marketing orders, establishing grading standards, and providing inspection and grading services. For FY 1994, AMS' program level is about \$240 million, with \$157 million of this to be funded from user fees.

### Special Project Underway To Resolve Pending Litigation in Orange Industry

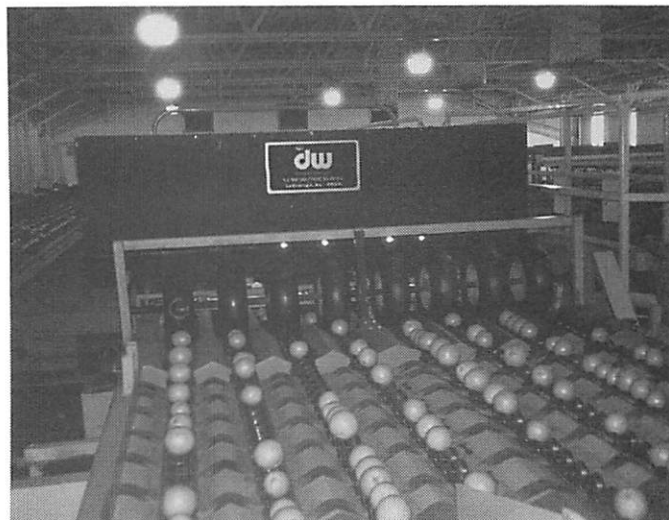
Marketing orders, authorized under the Agricultural Marketing Agreement Act of 1937, are industry-initiated programs which may regulate the quantity and quality of certain fruits, vegetables, and specialty crops. Administrative committees (composed of growers, handlers, and sometimes nonindustry representatives) are responsible for administering marketing orders and ensuring compliance with the terms of the orders.

Over the past 2 years, we have worked closely with AMS officials to improve overall marketing order compliance. As part of this cooperative effort, we have initiated a joint project with AMS to help marketing order committees establish effective compliance programs.

Six months ago, we reported that we had developed a program to be used by auditors to review handlers in accordance with Government auditing standards. These



Marketing orders regulate the quality of fruit available to the consumer. These workers are sorting oranges to remove any with defects. OIG photo.



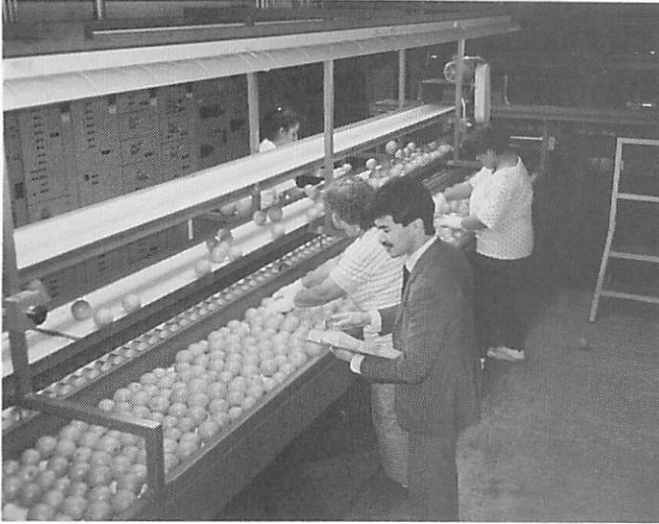
Some buyers order oranges by size. Holes in the conveyor troughs of this sorting machine let undersized fruit fall through. OIG photo.

audits will help committees verify whether handlers are complying with their marketing orders and give assurance that the committees are treating handlers uniformly.

During this reporting period, we have been involved in one committee's compliance actions against handlers who may have violated marketing orders. Over the past 10 years, there have been many lawsuits and widespread allegations that navel orange handlers in California shipped more fruit than allowed under the marketing order. In an attempt to resolve all pending litigation, AMS and the U.S. Attorney's Office in Fresno gave the probable offenders (about 120 navel orange handlers in California) a chance to settle any liability resulting from their past violations. In conjunction with this settlement, the U.S. Attorney's Office asked us to help determine the handlers' liability.

The settlement offer allows handlers who believe they face substantial penalties to pay the Government 15 cents for each carton of oranges they ship over the next 5 years. Handlers who violated the marketing order but believe they should not be so heavily penalized, or cannot afford to pay the 15 cent fine, may submit a counteroffer. About 70 percent of the California orange industry has responded to the U.S. attorney's offer.

We are currently auditing those orange handlers who either did not respond to the Government's settlement offer or denied they committed any violations. We are issuing subpoenas to gain access to handlers' records.



An OIG auditor reviews orange packaging operations. OIG photo.

Our audit work will verify whether these handlers did, in fact, comply with the terms of the marketing order. To date, we have identified a number of potential marketing order violations. We are working directly with USDA's Office of the General Counsel and the U.S. Attorney's Office to refer these violations for civil action. The U.S. Attorney's Office has informed us that the audits have significantly enhanced the Government's bargaining leverage in dealing with handlers seeking settlements.

### **Animal and Plant Health Inspection Service (APHIS)**

Through its inspections of animals and plants, APHIS protects the Nation's livestock and crops against diseases and pests and preserves the marketability of U.S. agricultural products at home and abroad. APHIS obligations for 1994 activities are estimated to total over \$506 million.

#### **Company Risked Importing Hoof and Mouth Disease**

A Maine company in the business of importing and exporting products for biomedical research pled guilty to illegally importing fetal bovine serum from Brazil. Importations of cattle products from Brazil into the United States are strictly prohibited because of the presence in Brazil of both rinderpest and hoof and mouth diseases. The company moved the bovine serum through Customs by declaring it human blood serum.

Although the serum had been sold to research companies, APHIS was able to track it down before any of it was used.

The importer was fined \$25,000 and ordered to make restitution of \$189,000 to the research companies that bought the serum. This investigation was conducted jointly with the U.S. Customs Service, APHIS, and the Food and Drug Administration.

### **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 1994 total approximately \$516 million. FSIS received \$8 million to develop new inspection methods, evaluate new production practices, and expand consumer education. The agency also received additional funding for 160 inspectors it hired at the end of FY 1993 and for an additional 40 inspectors it plans to hire in FY 1994.

#### **Watered-Down Beef Results in \$225,000 Fine**

A meat-processing corporation in New Jersey pled guilty to selling adulterated and misbranded meat after an investigation revealed it was injecting the meat with water. Water, which is later cooked out of the meat, increases the weight of the product and the profits of the processor. From August through December 1989, employees of the New Jersey corporation watered down and misbranded in excess of 50,000 pounds of beef.

The corporation was fined \$225,000. As part of a plea agreement, it terminated employment of one of its general managers. FSIS also suspended the corporation's meat-processing activities for 2 days per month for 12 months (24 days).

#### **Dairy Farm Fined in Meat Adulteration Case**

In Washington, a dairy farm, a slaughterer, and a meat facility were fined \$50,000 after they pled guilty to offering adulterated meat for sale to the public. The investigation, which was conducted jointly with FSIS' Compliance Staff, found that the dairy farm provided dead dairy cows to a "custom" slaughterer who processed the meat through a "custom exempt" meat facility (both the slaughterer and the meat facility were

not USDA-inspected and could not sell farm-slaughtered meat in interstate commerce). In this case, the dairy farm and the meat facility, which also operated a retail outlet, sold the processed meat to the dairy's employees and to the general public. (The facility sold its meat as USDA-inspected, even though it was not.) At least two of the dairy cows had died from disease. No one was reported sick from the meat.

The slaughterer and the meat facility were placed on probation.

### **Quality Control Programs at Processing Plants Need Greater Oversight**

FSIS allows processing plants to assume part of the responsibility for controlling their own plant sanitation and product quality. A plant that wishes to operate a quality control program must submit an operating plan to FSIS for approval. Of the 6,000 processing plants under FSIS inspection, over half have quality control programs of some sort.

We evaluated the effectiveness of the quality control programs and FSIS' oversight of them. We reviewed 59 quality control plans in 3 FSIS regions, and we performed onsite visits to 19 processing plants. We found a need for stronger oversight.

- FSIS was not adequately reviewing the quality control plans submitted by processing plants before approving them. A majority of the 59 plans we analyzed did not contain some of the inspection elements required by regulations. There were also no assurances in formal letters by plant management at half the plants that the plans would be complied with once they were approved.
- Fifteen of the 19 plants we visited had not fully implemented their quality control programs. For example, at one plant, we noted improper product handling by employees, improper control of room temperature, and uncooperative attitudes toward FSIS inspectors. The plant itself had a history of improperly removing FSIS tags from equipment or processing areas found to be unsanitary by the FSIS inspectors.

Although this plant had been operating under its quality control plan for almost 4 years at the time of our visit, FSIS had taken no definitive action against

the plant. Quality control at the plant was not effective, but FSIS did not terminate the program there or require the plant to amend it. As a result of our visits, the FSIS regional office stepped up its enforcement actions against this plant.

We recommended that FSIS review proposed quality control programs more thoroughly before approving them and that regional offices periodically review existing programs. We also recommended that FSIS standardize quality control plans and that it close plants that do not correct ongoing or serious problems. FSIS staff agreed with most of our recommendations (they did not agree to standardized plans) and have advised us that they have issued directives establishing standardized procedures that will ensure all quality control plans meet minimum requirements before they are approved. These reviews will also ensure the effectiveness of the programs on an ongoing basis.

### **FSIS Can Improve Its Evaluation of Rapid Microbiological Tests and Testing by Private Labs**

Since its inception, FSIS' meat and poultry inspection system has relied primarily on the inspector's sight, smell, and touch to detect visible contamination, which is frequently an indication of potential microbiological hazards. FSIS plans to improve its inspection program under a recently announced initiative, the Pathogen Reduction Program. Through this program, FSIS intends to implement risk-based, scientific inspection methods, which are designed to specifically detect microbiological hazards.

We evaluated FSIS' current method of sampling cooked meat and poultry, its procedures for evaluating rapid test methods for FSIS use, and its procedures for approving and monitoring official testing by non-Federal laboratories.

- *Sampling for pathogens was reasonable.* FSIS' method of sampling cooked meat and poultry for testing was reasonable, considering that current production and quantified risk data was unavailable. (FSIS used alternative data.)
- *FSIS was slow to evaluate rapid tests.* FSIS published criteria for evaluating rapid tests in a 1989 *Federal Register* but did not implement them. The agency had little documentation of its past efforts to evaluate rapid tests, and until recently (1993) kept no

record identifying tests it had evaluated. It also had no directive designating who was responsible for evaluating and approving rapid tests or explaining how evaluations would be performed and documented.

- *FSIS' treatment of private labs was too informal.* FSIS managers began the Laboratory Recognition Program without published regulations and kept it that way because they believed the absence of regulations permitted greater flexibility than a formal program and was less costly. We found this informality led to inconsistencies in the information that applicant labs provided and in the qualifications FSIS required of them. It also led to weaknesses in FSIS' quality assurance monitoring of the labs.

In 1991, Congress required laboratories seeking accreditation to perform official tests to pay a fee to offset the cost of the accreditation program. Although FSIS agreed that this requirement applied to the laboratories under its recognition program, it did not assess or collect fees.

Under the Pathogen Reduction Program, FSIS plans to develop the data it needs to improve its sampling of cooked meat and poultry. Also, during our audit, the agency published criteria for evaluating rapid tests. Although agency managers have designated staff to receive test proposals, we believe written procedures are needed to designate responsible managers and staff and establish an evaluation process.

We recommended that along with its published criteria, FSIS develop written procedures for evaluating and approving rapid microbiological tests and for operating its Laboratory Recognition Program. We also recommended that FSIS collect the required accreditation fee from private labs.

FSIS officials agreed with the recommendations but said they planned to phase out the Laboratory Recognition Program because FSIS labs could perform microbiological testing currently being done in recognized labs.

### **State-Operated Inspection Programs Need Improved FSIS Oversight**

Individual States may operate their own meat and poultry inspection programs and inspect plants within their borders that do not market products in interstate

commerce. These State programs operate under FSIS oversight and are required to provide inspection standards at least equal to those of FSIS. Currently, 27 States have FSIS-approved inspection programs covering about 3,000 plants. These plants account for about 7 percent of the meat and poultry products marketed in the United States.

Our audit evaluated FSIS' oversight of the State-operated inspection programs and the effectiveness of those programs. We visited 6 States and 90 plants in those States.

FSIS' reviews of the State programs were inconsistent from State to State, and although they often cited problems at the plants, they did not determine why the States' inspections allowed the problems to occur. Because the inspection system was not corrected, the problems continued. We found previously undisclosed sanitation problems in 61 of the 90 plants we visited, some of them serious enough to create a risk of product contamination. After we completed our fieldwork in one State, State officials made onsite inspections in all 194 of their plants and halted production in 76 plants until food safety and sanitation problems were corrected.

Also, FSIS reviews did not disclose that some States failed to follow up when laboratory tests revealed dangerous micro-organisms in product samples. FSIS itself did not adequately follow up with States to ensure that required corrective actions resulting from FSIS reviews had been accomplished. As a result, problems identified in these reviews continued to occur.

We recommended that FSIS develop procedures to ensure that its reviews are adequate and consistent and that they include both laboratory testing procedures and followup on test results. We also recommended that FSIS allocate sufficient resources to allow proper oversight of reviews. Finally, we recommended that FSIS perform more frequent reviews in those States where it found serious problems that could not be immediately resolved.

Although FSIS officials generally agreed with our report, they disagreed that more frequent reviews were needed. They reasoned that the timing of a review in each State is already based on the nature of the problems found in the last review. We disagree on this issue and are working with them to seek an appropriate resolution.



# Natural Resources and Environment

## Forest Service (FS)

FS manages natural resources on over 191 million acres of the National Forest system, conducts a State and private forestry program, and is responsible for national leadership in forest and range conservation practices. For FY 1994, the FS appropriation totals approximately \$3.3 billion, and timber sales and other receipts are estimated at \$1.5 billion.

### Controls Needed To Ensure Salvage Sale Funds Pay Only for Authorized Activities

When trees on national forests are damaged or become insect-infested, the FS offers them for sale as salvage.

For salvage sales, as for other timber sales, the FS compiles the costs of removing the timber and determines whether the purchasers must meet environmental impact requirements during harvesting. The costs to the FS of preparing the sale, including the cost of designing a road to the sale site, are paid out of a salvage sale fund. This fund, called a "revolving fund," is replenished when the purchaser pays for the sale. The fund exists to cover the costs of preparing salvage sales and should not accumulate any large surplus.

We audited the FS' controls over its salvage sale program to determine if the program was being managed effectively and if costs were appropriately charged. We concluded that more national office direction was needed. The national office generally let field offices write their own policies for the salvage sale program. Field reviews by both the national office and regional offices did not ensure that weaknesses in the program were identified and corrected. Among the problems we found were:

- National forests could not support the amounts they felt they needed to replenish the salvage sale fund. Officials were inconsistent in estimating how much should be recovered to pay for the direct cost of preparing a specific sale and how much should be recovered to pay for the general administration of the salvage sale program. Because of the absence of a system to match sale preparation costs and sale income, we could not determine how much of FS collections were actually needed and how much could be surplus.



Damaged or diseased trees like these are sold as salvage by the Forest Service. FS photo.

On the 545 sales we reviewed, the national forests estimated that they needed \$77 million to cover their direct estimated costs. However, they collected an additional \$222.7 million in what they called "permissible excess collections." For example, on salvage sales on the Eldorado National Forest, the FS estimated collections of \$155 million but collected only \$16.4 million. Of this amount, only \$1.1 million was related to direct costs.

- National forests could not always support the charges they made to the salvage sale program.

Although we could not fully evaluate charges made to the salvage sale fund, we did identify \$5.9 million in questionable charges made against the \$135 million funded during FY 1991. That year, the FS spent salvage sale funds on fiscal management, computer

equipment, archeology, and construction and maintenance of residential buildings. The FS could not show how these activities benefited the salvage sale program.

We concluded that opportunities existed for national forests to spend salvage sale funds on nonsale activities. For the 545 sales we reviewed, direct costs represented only 16 percent of the total estimates. Most of the deposits to the salvage sale fund were "permissible excess collections," some of which could be surplus.

We are currently reviewing the FS' use of salvage sale funds to determine if charges were made to inappropriate activities and if any of the balance on hand should be turned over to the U.S. Treasury.

We recommended that the FS instruct all field units on the proper administration of the salvage sale program and that the national and regional offices perform comprehensive reviews on a regular basis. FS officials agreed with our recommendations and said that the FS manual and handbook are being revised accordingly.

### **Guilty Pleas in Theft of Cancer-Treating Yew Bark**

During 1991, OIG and FS special agents began an investigation into the stripping of bark from yew trees in national forests. Yew bark was in demand at that time because taxol, a chemical extracted from it, was found to be an effective treatment for cancer. The FS permitted a small number of peelers to harvest bark from the Pacific yew and sell it. Only one processor in Washington and three in Oregon, where most Pacific yews grow, were licensed to buy the bark for pharmaceutical companies.

We previously reported the conviction of one peeler and two other people for the theft of yew bark. During this semiannual period, the Washington processor authorized to buy the bark also pled guilty to theft. The processor had paid peelers and others to enter the national forests and cut the trees or strip them of their bark. Yew trees stripped of their bark, although left standing, will not survive. The tree is also slow growing and can take up to 50 years to mature.

The investigation also disclosed that a number of the peelers who had permits to sell the yew bark sold more than they were permitted to harvest. To date, 14 of these harvesters have pled guilty to charges of theft. Ten others have agreed to plead guilty.

### **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 1994, SCS appropriations total more than \$875 million.

### **Controls for Alternative Conservation Systems Need Strengthening**

The Food Security Act of 1985 requires producers to meet conservation requirements if they plant crops on highly erodible land. To remain eligible for USDA farm program benefits, producers must apply a system of conservation measures meeting SCS' technical requirements. Originally these requirements called for producers to reduce erosion to the level that would maintain productivity of the land; however, the Department found this too restrictive and subsequently revised the requirements to allow producers to apply alternative conservation that would result in a "substantial reduction" in existing soil loss levels.

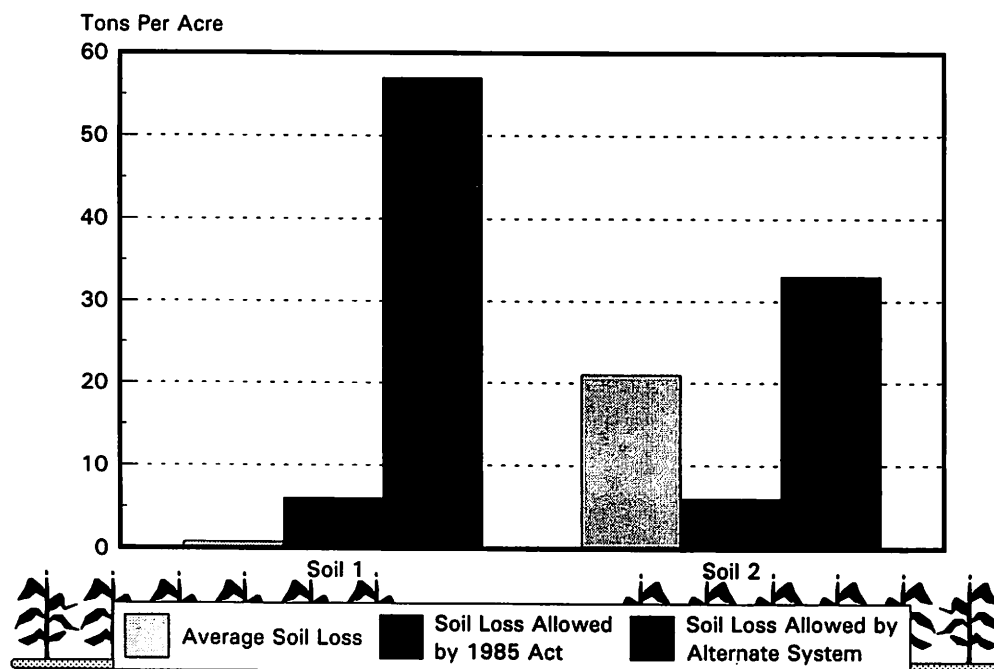


Downhill planting patterns like this could cause excessive erosion. OIG photo.



Figure 2

### Alternative Conservation Systems



We reviewed alternative conservation systems in 17 counties to determine if they were needed, if they resulted in a substantial reduction in erosion, and if their effects were consistent from one county to the next. We found that the systems were developed without a demonstrated need, that they did not achieve consistent and substantial erosion reductions, and that they did not state a specific soil loss for SCS to use to determine compliance. One system we reviewed permitted producers to till the land in the fall, thereby eliminating the soil protection that the residue from the previous crop would normally provide. This resulted in erosion of up to about 28 tons per acre; erosion in the same area prior to the Food Security Act was about 11 tons per acre. Such conservation measures did not result in a reduction in erosion. (See Figure 2.)

We concluded that SCS' national office needs to provide better guidance to ensure that the productivity of the Nation's farmland does not diminish and that producers do not receive program benefits when significant reductions in soil erosion are not achieved.

We recommended that SCS strengthen controls over its approval of alternative conservation systems. We also recommended that these systems reduce soil loss by as much as is feasible and that SCS document its determination of the reduction. SCS officials generally concurred with the conditions reported and are developing corrective actions.

# Science and Education

## Cooperative State Research Service (CSRS)

### Small Business Innovation Research (SBIR) Program Procedures Need Revision

The Small Business Innovation Development Act of 1982 requires all Federal agencies with annual extramural research obligations exceeding \$100 million to set aside 1.25 percent of their budget for awards to small and disadvantaged businesses. The objective of these awards is to stimulate technological innovation among minority and disadvantaged private research firms.

The Small Business Administration has the responsibility under this act to issue policy directives for the SBIR program. Within USDA, CSRS administers the technical aspects of the program.

We reviewed seven grants awarded in FY 1991 for the continuation of projects begun in prior years and one initial grant which was the subject of a complaint. We found that the process used to select the proposals did not adequately protect against conflicts of interest

on the part of the reviewers and against awards for nontechnological or duplicative research. We also found that grant recipients' accounting records did not always support expenditures; some funds had been spent for purchases that were not authorized by the grants or approved by CSRS, while other funds had been spent outside the grant period. Recipients generally expressed a belief that once they had been awarded SBIR funds, they were free to reallocate them as they saw fit. CSRS site visits focused on the scientific nature of the projects and were not effective in detecting financial noncompliance.

We questioned expenditures by all eight grantees in our sample for a total of \$408,000, or 47 percent of the funds that had been disbursed to these projects up to the time of our review.

We recommended that CSRS strengthen its procedures for selecting proposals, establish controls over disbursement of funds, and develop procedures for conducting site visits. We also recommended that CSRS recover all funds that were spent improperly or were unsupported.

CSRS officials agreed with all of our recommendations.

# 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 December 31, 1993, about 906,000 borrowers owed FmHA about \$43 billion. In addition, FmHA guaranteed more than \$5.7 billion in loans made by private lenders to about 54,000 borrowers.

### Farm Programs

#### Farmers Convicted of Illegally Selling FmHA Collateral

- A Texas farmer who pledged cattle against \$308,000 in loans received from FmHA and a bank, illegally sold the cattle without repaying the loans. Our investigation, conducted jointly with the FBI, showed that the bank lost \$100,000 and FmHA lost \$180,000. The farmer was given a jury trial and found guilty of three counts of fraud. He was also convicted on two counts of money laundering associated with his use of the bank proceeds. Sentencing is pending.

- We investigated a farmer in Louisiana who pledged his cattle as security for a \$78,000 FmHA loan, then sold the cattle and kept \$32,000 of the proceeds. The farmer pled guilty in Federal court to conversion of mortgaged property and was sentenced to 3 years' probation. The farmer was also ordered to perform 60 hours of community service.

### Rural Housing Loans

#### RRH Funds Used for Private Construction

A Rural Rental Housing (RRH) developer in Michigan, an employee of his general contracting company, and the employee's wife were sentenced for inflating contract costs on a project in order to include the cost of an off-site road the developer was building. The employee and his wife used a dummy corporation to launder the cash realized from their scheme. The developer and two others were fined and sentenced to prison terms ranging up to 5 years. At the time this offense was committed, the employee was on probation from a previous conviction for defrauding the RRH program. He had been debarred from the program as a result of that conviction.

# Financial, Administrative, and Information Resources Management

## Financial Management

### Financial Statement Audits

The Chief Financial Officers Act of 1990 requires us to audit the Department's financial statements. During this reporting period, we completed audits of the FY 1993 financial statements of the Commodity Credit Corporation (CCC), Farmers Home Administration (FmHA), Federal Crop Insurance Corporation (FCIC), Rural Electrification Administration (REA), and the Rural Telephone Bank (RTB).

The Department and its agencies put considerable effort into improving their financial systems and reporting processes this past year. Because of their work, we were able to complete our financial statement audits of CCC, FmHA, FCIC, REA, and RTB at least 1 month earlier than last year, with results that were more favorable than last year.

All five audits resulted in unqualified (clean) opinions. We did, however, identify several reportable conditions and instances of material noncompliance with laws or regulations, as well as other matters we brought to management's attention. The matters applicable to FCIC and REA were included in our FCIC and REA management issues reports for FY 1993. The FmHA, FNS, Forest Service, and the Departmental management issues reports for FY 1992 were also issued this reporting period.

A reportable condition is any significant control deficiency that could adversely affect the entity's ability to record, process, summarize, and report financial data. The reportable conditions noted during our audits led to the following conclusions.

- CCC must continue to improve its financial management systems and procedures to ensure that financial reports are reliable and that errors and omissions are avoided in financial statements. For instance, account information in critical subsidiary subsystems must agree with the applicable general ledger accounts.
- CCC and FmHA must coordinate with the Department's Office of Information Resources Management to eliminate the vulnerability of their

computer files to unauthorized access and manipulation. This vulnerability arises because of weaknesses in the automated scheduling software used by the National Computer Center.

- CCC's automated inventory system, which accounts for over \$1 billion in processed commodities CCC owns or has donated to foreign countries, must be modified to provide management with accurate information as to the amount and location of the inventory.
- CCC must continue to eliminate the weaknesses in data security in the State and County Office Automation Project.
- FmHA must continue to improve its financial management system to report data in accordance with accounting standards. For example, FmHA does not currently recognize the full interest-rate subsidy for loans obligated prior to 1992, does not provide for loan discounting over the life of the loans, and does not have an automated capability for making the related accounting entries. FmHA estimated that the effect of reporting the cumulative unamortized discount would reduce loans receivable and equity by about \$4.8 billion in FY 1993.
- FCIC must continue implementing its nationwide review process to facilitate timely reviews of reinsured companies.
- REA must provide additional documentation and training regarding support for specific loan loss reserves.
- REA must receive detailed salary and expense fund records from USDA's National Finance Center (NFC) so it can ensure the accuracy and reasonableness of those records.

The four CCC reportable conditions, and the FmHA reportable condition on its financial management system, are also considered to be material weaknesses. A material weakness is a flaw in the design or operation of a control that exists to reduce the risk of material errors. Materiality is based on amounts that would be material to the financial statements or to performance measures being audited.

Instances of material noncompliance with laws and regulations were noted and led us to the following conclusions:

- CCC must evaluate and report on its system of internal controls, in accordance with Office of Management and Budget (OMB) guidelines.
- CCC and FmHA must fully comply with OMB, U.S. Department of Treasury, and U.S. General Accounting Office requirements for reporting on the U.S. Government Standard General Ledger chart of accounts at the transaction level.
- FmHA must bring its evaluation and reporting of internal controls and accounting system into compliance with the Federal Managers' Financial Integrity Act. Contrary to its reports, the agency omitted known material weaknesses and did not mention it was out of compliance with the Joint Financial Management Improvement Program's core financial system requirements. It also did not take timely corrective action on previously reported material nonconformances.

Agency management generally agreed with our findings and recommendations.

### **Treasury Reconciliations Must Be Completed in a Timely Manner**

NFC had not timely reconciled outstanding cash deposit and disbursement differences between Treasury and OFM/NFC records. One yearend report contained over 2,300 pages of unreconciled cash deposit collections, for a net difference of \$391 million. Two other yearend reports contained over 880 pages of unreconciled disbursement transactions, for a net difference of \$4.2 million. As a result, the USDA agencies' general ledgers maintained by OFM/NFC may contain inaccurate or incomplete collection and disbursement information, increasing the agencies' vulnerability to fraud and abuse.

We recommended that OFM/NFC assign adequate personnel to resolve unmatched cash deposit and disbursement transactions on a timely basis and maintain adequate written justification for all records

deleted from reconciliation reports. OFM/NFC officials agreed with seven of our recommendations and are implementing corrective action. We are working with them to resolve the last two recommendations.

### **NFC and ASCS Must Comply With OMB Requirements Under the Prompt Payment Act**

The Prompt Payment Act requires the Government to pay its debts in a timely manner — neither too early nor too late. OMB requires that quality control data used to review and report on the promptness of payments be collected from all payments subject to the act, or from a statistical sample of them.

We found that ASCS did not use quality control data to report to OMB, and that OFM/NFC used only part of its quality control data and included payments from systems (telephone and utilities) not subject to the act. We concluded that neither agency's quality control program was in compliance with OMB Circular A-125 requirements for verification and reporting of data to OMB.

We recommended that ASCS officials gather quality control data based on either a review of all payments or a statistical sample of all payments subject to the Prompt Payment Act, and that both ASCS and NFC use this data to prepare their prompt payment reports.

ASCS officials agreed with our findings and plan to implement the applicable recommendations. OFM/NFC officials agreed and have complied with the recommendations to report only payments subject to the Prompt Payment Act. They disagreed with the recommendation to use statistical sampling data to prepare its prompt payment reports. We are in the process of resolving this disagreement.

### **NFC Needs To Document and Implement Its Management Controls**

We previously reviewed NFC's 1992 internal control structure and issued a disclaimer of opinion because, among other things, NFC had not documented its control objectives and techniques in an integrated manner. As a result of our disclaimer, the Department made a commitment to make major improvements.

As of September 30, 1993, OFM/NFC was still in the process of developing a management control manual that will serve to document its control objectives and techniques. The complexity of the task and the short timeframe since our last audit did not permit OFM to fully define and implement its management control objectives and techniques for all aspects of its control structure by the September deadline. We therefore issued another disclaimer of opinion.

### Information Resources Management

USDA agencies make extensive use of automated systems to conduct their business. Agencies use both centralized mainframe and widely distributed personal computer equipment, connected by local and nationwide communications networks. USDA has invested heavily in these automated resources, which in turn are an integral part of the management of billions of dollars of Department payments. In addition, USDA agencies plan to spend billions of dollars in the future to modernize their business processes and their automated data processing (ADP) systems. 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 misuse.

#### FmHA Needs To Improve Its ADP Security Program

We reviewed the security of FmHA's mainframe applications to determine (1) if software controls were adequate to prevent unauthorized access, (2) if controls were adequate over scheduling of production jobs and programs and access to data, and (3) if critical applications had been properly identified in the event of a disaster at the National Computer Center.

We concluded that FmHA could improve its security program by taking the following actions to address security weaknesses.

- FmHA should develop a comprehensive security review program to ensure adequate protection of its automated systems, and the staff it assigns to this program should have the technical background to perform indepth security reviews.
- FmHA should strengthen controls over the scheduling software to limit access to its systems, and it

should control submission of unauthorized computer jobs that lessen the protection of production data.

- FmHA should identify all production jobs and limit access to production data and libraries.
- FmHA should update its contingency plan by identifying critical applications that would be processed at another location in the event of a disaster at the National Computer Center. This would reduce FmHA's susceptibility to lengthy delays in restoring computer processing during disruption of services.
- FmHA should improve the security controls over its data base management special authorities, its embedded passwords in data sets, and its ability to execute system commands and display system information.

We are working closely with the agency to reach management decisions on these recommended actions.

#### Monitoring of the Info Share Project

The goal of the Info Share Project is to improve the delivery of USDA's services to rural customers by integrating information systems. This is a multiyear project which is expected to cost over \$1 billion. Because of the magnitude and complexity of the project, we are using a "solution-based" auditing approach in our monitoring efforts. Under this approach, we review the Info Share decisions and products as they are developed and provide technical assistance to management on an ongoing basis. To date we have issued formal comments detailing the following concerns.

- The Info Share Project is being staffed under a matrix management concept: agencies provide personnel who retain their current job responsibilities. Project managers have complained that this organizational structure does not give them adequate control over personnel assigned to the project.
- Information was not fed into the project management system in a timely and consistent manner. As a result, reports generated from the system were not always reliable.
- Contractors were substituting key personnel without the prior knowledge and approval of the Government. This reduced the Government's assurance that it was getting the expertise promised by the contractor.



- The proposed period allowed for a study on customer service standards may not be sufficient to accomplish the study's objectives. As a result, the data collected may not be useful in developing technical requirements for reengineering business processes and offices.
- The Office of Finance and Management and the Info Share partner agencies experienced significant difficulties in attempting to identify and allocate Info Share costs. In addition, the partner agencies were not consistently recording, allocating, and tracking Info Share obligations and expenditures.

In general, Info Share management has agreed with our concerns and is taking necessary actions. We are continuing to monitor the project and are working closely with Info Share management to help ensure its success.

### **Audits of Contracts**

OIG audits of contracts help USDA procurement officials negotiate, administer, and settle USDA contracts and subcontracts. During this period, OIG performed or arranged for audits of 13 pricing proposals, cost reimbursement contracts, or contractor claims. These audits resulted in questioned costs or potential savings of \$413,000. Also, management decisions were made on 20 audits, resulting in savings of \$11.9 million.

### **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 12 State and local governments for which we have been assigned single audit cognizance under OMB Circular A-128, Audits of State and Local Governments, 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 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 two audit reports covering areas over which we have been assigned cognizance under OMB Circular A-128. Of these reports, one contained recommendations with questioned costs of about \$19,000 in USDA assistance. In addition, we received and distributed 58 reports furnished to us by other cognizant Federal agencies. Of these, 27 contained recommendations with associated monetary values of about \$500,000.

As the assigned cognizant agency for the single audit activities for the Wyoming Department of Agriculture, we processed the single audit report for the year ending June 30, 1992. The audit questioned over \$19,000 in funds furnished by USDA's Food Safety and Inspection Service. Most of the amount was questioned because the manager of Wyoming's Meat and Poultry Inspection Program did not prepare adequate documentation to support his time charged to the program. Wyoming officials took action to improve their documentation process.

During this period we also received and distributed 14 audit reports performed under the requirements of OMB Circular A-133, Audits of Institutions of Higher Education and Other Nonprofit Institutions. Five contained recommendations addressing USDA assistance.

We also have general oversight responsibilities for the quality of numerous audit reports prepared by non-Federal auditors under specific program requirements. During this 6-month period, we referred one independent public accountant to the State board of accountancy primarily because the audit work was not adequately documented. We also referred the person to the American Institute of Certified Public Accountants and recommended that the USDA program agency consider administrative action.

# 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 14 convictions of current or former USDA employees and 45 personnel actions, including reprimands, removals, suspensions, and resignations. The following are examples of some of the investigations which yielded results during the past 6 months.

## **ASCS Employee Embezzles \$460,000 in CCC Loan Funds**

In Georgia, an ASCS program assistant was sentenced to 3 years in prison after she admitted embezzling over \$463,000 in CCC funds between 1988 and 1991. The employee accessed ASCS computers and created fictitious loans made payable to local farmers. She then issued checks to those farmers, forged their endorsement signatures and the signatures of ASCS approving officials, and deposited the funds into her personal bank account.

The employee used the embezzled funds to purchase a home, furniture, and vehicles for family members. OIG agents, assisted by agents of the IRS, seized four vehicles owned by the employee and her family valued at \$38,000. They also seized bank accounts having a combined value of over \$48,500. The employee resigned from ASCS. At her sentencing, the court ordered her to forfeit \$10,000 and her retirement accounts.

## **APHIS Employee Sentenced for Smuggling and Accepting Gratuities**

We previously reported that an APHIS Veterinary Services employee responsible for the operation of the Pet Bird Quarantine Station in Los Angeles was awaiting sentencing after she pled guilty to charges of smuggling and accepting gratuities. However, when she appeared before the judge for sentencing, the employee withdrew her guilty plea and requested a trial. During this period, a jury convicted her of the charges. She was sentenced to 18 months in prison and fined \$200. Prior to the trial, APHIS terminated her employment.

A second APHIS employee, who was in charge of the Veterinary Services administrative office in Los Angeles, pled guilty to failure to account for public funds. She was fined \$500 and placed on probation for 3 years. She resigned from her position after being notified that APHIS was taking action to terminate her employment.

## **Former FNS Employee Impersonates Government Official To Prey on Immigrants**

A man who had once been an FNS employee in New York City used his old USDA identification card to further a scheme to defraud immigrants. The man told the immigrants that he was a Federal Government employee who had an inside source and could get them work authorization papers faster than if they went through the official process.

This former FNS employee had been in criminal court on a previous occasion in 1987 when, as a result of an OIG investigation, he pled guilty to bribery charges. The investigation showed he sold FNS food stamp authorizations to unauthorized retailers, some of whom FNS had previously disqualified from participating in the program.

For his attempt to defraud immigrants, the man was sentenced to 1 year in jail. This investigation was conducted jointly with the FBI.

## **Employee Caught Submitting Fraudulent Vouchers**

In Maryland, a financial management assistant for the Human Nutrition Information Service pled guilty to forging information on 64 expense vouchers and embezzling over \$13,400 in USDA funds. OIG agents caught the employee at the USDA imprest fund office in the act of cashing several vouchers which contained over \$1,000 in fraudulent claims. The employee resigned and was sentenced to 3 years' probation and 4 months' detention, and was ordered to pay \$1,800 in restitution.

## **Former FCIC Deputy Manager Pleads Guilty**

In Washington, D.C., a former deputy manager of FCIC pled guilty to a post-employment conflict of interest violation.

The deputy manager, as part of his responsibilities, handled appeals by farmers concerning their crop insurance claims. When he retired, he began work as a consultant for a crop insurance company that had active appeals pending with FCIC, many of which had been submitted to FCIC when he was still there. While employed as a consultant, he attempted to influence FCIC's decisions on these appeals, and when the agency's decisions were unfavorable, he attempted to get them reversed.

He was sentenced to 2 years' probation and ordered to serve 50 hours of community service.

### **Former FAS Official Pays Wife Through Phony Invoices**

In Washington, D.C., a former FAS official pled guilty to using his office for financial gain. The official served as Minister-Counselor for Agricultural Affairs in two posts. He retired from FAS in 1993 while the investigation was ongoing.

While at his overseas posts, the minister-counselor approved payment for 12 invoices, totaling over \$4,000, for catering services that he claimed had been provided to him in connection with official entertainment. The invoices were in the name of a fictitious catering firm but had been submitted by the minister-counselor's wife, who had arranged the events but was not entitled under FAS rules to be compensated for doing so.

The minister-counselor was sentenced to 1 year probation, fined \$2,500, ordered to serve 50 hours of community service, and ordered to pay the Government \$2,100 for the cost of his supervised probation. He also paid \$1,850 in restitution. His wife was not charged.

### **Employee Pleads Guilty to Mail Theft**

In Washington, D.C., a former FAS employee pled guilty to the theft of three non-Government VISA bank cards from the USDA mail room. The cards were in the personal mail of FAS employees who were stationed in embassies overseas and who were having FAS forward their mail to them through the USDA mail room. The FAS employee who stole the cards was aware of this

practice. He used the stolen cards to obtain almost \$11,000 in merchandise and cash during a 1-year period. The employee was sentenced to serve 4 months in a community correction facility. He was placed on probation for 5 years and ordered to pay \$10,000 in restitution.

### **NFC Employee Convicted of Mail Fraud and Theft**

In Louisiana, an NFC employee was indicted in Federal court for mail fraud and theft of Government property. The employee stole Government credit cards issued by the NFC for use with Government vehicles. He distributed the cards to his family and friends, who charged over \$7,000 to the cards at various stations. The employee was additionally charged with illegally accessing USDA employee files to obtain Social Security numbers and using this information to fraudulently obtain credit cards from major department stores in those employees' names. The NFC employee has pled guilty to the charges. Sentencing is pending.

### **FmHA State Director Pleads Guilty to Obtaining Phony Fees**

A former New York FmHA State Director pled guilty to using his official position to acquire money under false pretenses. FmHA conducted training sessions to teach FmHA procedures to private attorneys, and although no registration fee was required to attend the course, the director charged one and kept the proceeds. He was sentenced to pay a \$1,200 fine.

### **FmHA County Office Clerk Embezzles Borrower Payments**

An FmHA county office clerk in St. Croix in the U.S. Virgin Islands was convicted in U.S. district court of embezzling \$1,195 worth of FmHA borrowers' cash payments on their loans. The clerk used a "kiting" arrangement to conceal her theft; she embezzled portions of the first payments submitted by borrowers, then used successive payments to cover what she had stolen from the first payments. No sentencing date has been scheduled.

# 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	9/16/92	1. Alaska State Program Operations (03097-4-SF)*	\$1,609,704	\$1,609,704
	12/11/92	2. 1991 Livestock Emergency Feed Program (03099-159-Te)*	\$449,360	\$447,578
	3/26/93	3. 1990 Sugarcane Disaster Program (03600-26-Te)*	\$3,684,513	\$3,684,513
	4/1/93	4. 1990-1991 Disaster Payments for Nonprogram Crops in Texas (03002-2-Te)*	\$565,486	\$523,256
	6/11/93	5. Payment Limitation for Hughes and Sully County Entities (03600-27-KC)	\$593,193	\$131,670
	6/16/93	6. Payment Limitation Rosebud, Yellowstone, Cascade and Daniels County Entities (03600-30-KC)	\$260,273	\$260,273
	6/16/93	7. 1991 Maximum Payment Limitation, State of Arizona (03600-18-SF)	\$1,322,101	\$1,322,101
	9/30/93	8. Disaster Program, Nonprogram Crops, Mitchell County, Georgia (03097-2-At)	\$5,273,795	\$1,482,759

<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>
FCIC	6/18/93	9. Adjusted World Prices for Rice and Upland Cotton (50600-8-At)	\$193,000,000	\$193,000,000
	9/16/93	10. 1991 Livestock Emergency Feed Program in Texas (03099-166-Te)	\$515,937	\$515,937
	9/30/93	11. Control of Maximum Limitations for 1991 (03600-33-Te)	\$14,940,144	\$14,940,144
	9/30/93	12. Security and Control Over ASCS Distributed Processing (03600-10-FM)	\$0	\$0
	3/13/91	13. Insurance Contracts with Large Indemnity Payment Adjusted by Crop Hail Management (05600-3-Te)*	\$122,588	\$105,667
	3/31/92	14. Audit of Large Claims in Florida (05099-20-At)*	\$1,034,814	\$859,857
	3/31/92	15. 1989 Corn and Soybean Contract No. 24-884-04846, Vernon County, Missouri (05099-105-KC)*	\$290,170	\$124,705
	7/16/92	16. Soybean Losses in Three Arkansas Counties for 1988 and 1989 (05099-55-Te)*	\$110,312	\$110,312
	9/30/93	17. Crop-Year 1991 Claims (05600-1-At)	\$55,692	\$50,378
	9/30/93	18. Crop-Year 1991 Insurance Claims (05600-5-Te)	\$39,594	\$39,594
	9/30/93	19. Crop-Year 1991 Claims (05600-4-Te)	\$8,916,815	\$0

<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>
FmHA	7/16/92	20. Accrued Interest on Guaranteed Loan Repurchases (04099-173-Te)*	\$1,488,056	\$417,873
	3/4/93	21. Rural Rental Housing Project - Wells Property Management Company (04099-189-Te)*	\$840,017	\$840,017
	8/23/93	22. Fiscal Year 1992 Financial Statements (04600-15-FM)	\$0	\$0
FNS	3/13/93	23. Mississippi Department of Education - Day Care Homes (27099-54-At)*	\$18,889	\$18,889
FS	10/27/92	24. Historic Aircraft Exchange Program (08097-2-At)*	\$35,260,665	\$1,079,189
	9/30/93	25. Graduated Rate Fee System (08601-5-SF)	\$3,617,616	\$3,160,590
RDA	3/28/90	26. Texas State Office Business and Industrial Loan Program (04002-1-Te)*	\$4,899,161	\$0
	9/30/93	27. Business and Industrial Loan Program - Loan Servicing (32676-1-SF)	\$0	\$0
SCS	7/27/93	28. Rescheduled Status Review (10099-12-KC)	\$46,307	\$46,307

\* Reported in last Semiannual Report

## **Audits Without Management Decision - Narrative**

### **1. 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.

### **2. 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. However, the producers are appealing the ASCS determinations.

### **3. 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 recommendation 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. The audit remains open because ASCS will not establish an accounts receivable.

### **4. 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.

### **5. Payment Limitation for Hughes and Sully County Entities, Issued June 11, 1993**

A partnership included in our review did not conduct its farming operations as presented to the county committee. The Hughes County partnership submitted a farm operating plan showing a four member partnership in 1991, although two of the partners had sold their interests in the partnership prior to the time the plan was filed. Also, the third partner did not meet requirements to be determined a separate "person." The ASCS National Office advised that they agreed with the finding. A management decision can be reached on the one open recommendation upon receipt of a copy of the request for a refund of the overpayments.

### **6. Payment Limitation for Rosebud, Yellowstone, Cascade, and Daniels County Entities, Issued June 16, 1993**

Three of the partnerships included in our review did not conduct farming operations as presented to the county committees. Consequently, they received excessive ASCS production adjustment program payments. Partners in the Yellowstone County partnership did not accurately report their contributions. Required "left hand" contributions for members of the Daniels County partnership were guaranteed and/or financed by another partnership which had an interest in the farming operation. Two of the four partners in the Cascade County partnership maintained negative account balances, which made their claimed shares not commensurate with their contributions. To reach a management decision, the results of ASCS' National Office analysis of the reported conditions are needed. Also needed is a copy of the letter notifying the affected partners of the decision and requesting repayment of any excessive amounts.

### **7. 1991 Maximum Payment Limitation, State of Arizona, Issued June 16, 1993**

We determined that in two instances producers had evaded payment limitation provisions in 1991 and 1992 through the use of a scheme or device. ASCS has



upheld the State Committee's determination that one case was not a scheme or device, and the State Committee made the same determination on the other case. We are in the process of elevating both cases for further consideration by the Department.

**8. Disaster Program, Nonprogram Crops, Mitchell County, Georgia, Issued September 30, 1993**

We found that disaster payments on nonprogram crops, primarily squash, were not proper because producers had reported incorrect (1) crop production, (2) acreages, (3) planting dates, and (4) ownership interest in the crops. Many producers also did not follow recommended farming practices. In 11 cases, the producers were allowed to submit revised acreage reports as much as 17 months after the established reporting dates and to significantly increase their reported acreages. In some instances, it was questionable if the total acreage was planted. The county accepted the inaccurate information even though, in many cases, other data was readily available that would have shown inaccurate information was provided. ASCS officials agreed with our recommendations. However, claims cannot be established pending the results of an investigation and/or court action. Also, the ASCS State Office staff has not provided us with the results of its review of farms not included in our review.

**9. Adjusted World Prices for Rice and Upland Cotton, Issued June 18, 1993**

We recommended that ASCS review, correct, and document the costs, values, and weights used in its formula for calculating the weekly adjusted world prices of rice and establish procedures for periodically collecting and updating those formula components. Although ASCS agreed to obtain current data, it has not agreed to use current and accurate data in the adjusted world price formula. We also recommended that ASCS work with the Economic Research Service (ERS) to review, correct, and document an annual cotton transportation cost estimate using representative costs and accurate weights. ASCS and ERS established an agreement on the annual cost estimate, but ASCS excluded a major cotton growing area in California which will result in an overstated cost estimate. We are currently working with ASCS and Department officials to resolve these issues.

**10. 1991 Livestock Emergency Feed Program in Texas, Issued September 16, 1993**

We reported that various producers were ineligible for emergency livestock feed assistance because the producers' annual gross receipts exceeded the program's \$2.5 million limit, or at least 10 percent of their most recent total gross annual revenues were not derived from the production of grain or livestock, or they received payments for pasture losses on ineligible land. The findings and recommendations have been accepted by ASCS and corrective actions are in process.

**11. Control of Maximum Limitations for 1991, Issued September 30, 1993**

In a statistical sample of end-of-year reviews conducted by ASCS for 1991, we projected that 181 of the 836 producers reviewed by ASCS 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. ASCS implemented our recommendations to improve controls over the end-of-year process. However, ASCS has reserved judgment on our statistical projection of questioned costs pending a review of the specific sample cases. We are currently working with ASCS officials to obtain agreement on the individual cases and the projected questioned costs.

**12. Security and Control Over ASCS Distributed Processing, Issued September 30, 1993**

We recommended that the facility security classifications for the ASCS Kansas City Management Office, State Offices' and County Offices' computer systems be revised to reflect the current operating environment. We also recommended tightening of security over telecommunications, performing background checks on prospective employees, and obtaining security clearances for selected employees. We are working with ASCS to resolve these issues.

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

We questioned insurance payments to four entities because the adjuster did not properly adjust the claim or the insured failed to report their crop sales. Management decision has been obtained for three cases; the fourth case is being investigated by OIG.

**14. 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. OIG completed investigating the case and confirmed the insured's unreported interest in another farm, but the U.S. Attorney's office declined prosecution. The case was referred back to FCIC for administrative action. FCIC is coordinating with the Office of the General Counsel (OGC) regarding recovery of the insurance payment. We will be unable to reach a management decision on this report until the establishment of any needed claims.

**15. 1989 Corn and Soybean Contract No. 24-884-04846, Vernon County, Missouri, Issued March 31, 1992**

The review of a 1989 corn and soybean contract disclosed that the guarantee for corn was overstated due to improper action by the reinsured company to allow for correction of an unavailable price election. FCIC elected to delay corrective action pending completion of the appeal process and a final determination by ASCS on a reported violation of the wetland conservation provisions. On November 23, 1993, the ASCS National Appeals Division issued a final administrative determination which denied the appeal and held that the appellant and affiliated producers are ineligible to participate in applicable USDA programs for the 1989 and 1990 crop years based on a violation of the wetlands conservation provisions. Management decision can be reached upon agency concurrence of overpaid amounts for applicable crop years and notification that the overpaid amounts have been refunded or accounts receivable established and that accounting records have been adjusted.

**16. 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 is pending the completion of this investigation.

**17. Crop-Year 1991 Claims, Issued September 30, 1993**

This audit was part of a nationwide audit of FCIC claims. We recommended that FCIC require one insurance company to provide prescribed evidence of loss for a \$50,378 indemnity or recover the unsupported claim. FCIC disagreed with the recommendation to recover the \$50,378 unsupported claim. Management decision has been reached on the other recommendations. We are working with FCIC to resolve this recommendation.

**18. Crop-Year 1991 Insurance Claims, Issued September 30, 1993**

This audit was part of a nationwide audit of FCIC claims. FCIC is in the process of preparing letters of determination and otherwise taking corrective action agreed on. However, not all the overpayments have been entered into the accounts receivable system to allow a management decision to be reached within 180 days. In one instance, we do not agree on the amount of the FCIC initial determination. We are working towards a resolution of our differences.

**19. Crop-Year 1991 Claims, Issued September 30, 1993**

We have asked FCIC to shift more of the risk from the Government to reinsured companies through restructure of the standard reinsurance agreement and Bulletin MGR-001. FCIC is currently working on these two documents and, while we are in general agreement with the direction being taken, we will wait to see the changes to both documents before we accept management decision.

**20. 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.

**21. 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.

**22. Fiscal Year 1992 Financial Statements, Issued August 23, 1993**

Identified internal control weaknesses and accounting system nonconformances led us to disagree with FmHA's conclusion that it generally complied with section 2 (Internal Control Systems) and section 4 (Financial Management Systems) of the FMFIA as reported in its FY 1992 and FY 1991 FMFIA reports. We recommended that FmHA report to the Secretary that its internal control and financial accounting system do not generally comply with FMFIA requirements. We are working with FmHA to resolve this issue.

**23. Mississippi Department of Education - Day Care Homes, Issued March 13, 1993**

The audit recommended that FNS recover meal claim overpayments of \$18,889 received by 19 day care homes. We concur with FNS' plans for recovery; however, we have requested that FNS and the State not initiate claim actions for 16 of the 19 day care homes until investigative actions have been completed. Acceptance of FNS' management decisions is pending the outcome of these actions.

**24. 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 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 the FS in providing aircraft for airtanker operations. Based on the task force recommendations, the Department has proposed

legislation. However, until the legislation is acted on, and subsequent Department decisions are made, the issues cannot be resolved.

**25. Graduated Rate Fee System, Issued September 30, 1993**

We recommended that the FS include the use of surcharges to recover a share of gains when negotiating new permits to buyers of resorts sold at a premium. Although the FS proposed to implement a new fee system by October 1994, management decision needs to be reached on those sales made during the interim period.

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

We recommended that RDA officials determine, in consultation with OGC, the liability of State officials for losses to the Government resulting from actions taken that were not within their authority. RDA officials have not responded to this recommendation.

**27. Business and Industrial Loan Program - Loan Servicing, Issued September 30, 1993**

RDA's policies and procedures covering servicing requirements did not always protect the Government's interest. RDA's policy of enforcing its loan-servicing requirements was limited by law and a reluctance on its part to discourage lender participation. By law, RDA cannot withdraw its guarantee in cases of negligent servicing unless there has been a loss. We asked RDA to seek an OGC legal opinion regarding two borrowers who had not acknowledged responsibility for assuming loans by signing assumption agreements. The cases are currently under review.

**28. Rescheduled Status Review, Issued July 27, 1993**

We recommended that SCS (1) prescribe specific documentation requirements on weaknesses noted in conservation plans, (2) refer the cited producers to ASCS for program eligibility determinations, and (3) develop a methodology to test producer compliance with multi-year rotation practices. Management decisions are pending SCS' developing acceptable means to accomplish the recommendations.

## Indictments and Convictions

Between October 1, 1993, and March 31, 1994, OIG completed 549 investigations. We referred 389 cases to Federal, State, and local prosecutors for their decision.

During the reporting period, our investigations led to 426 indictments and 468 convictions. The period of time to obtain court action on an indictment varies widely; therefore, the 468 convictions do not necessarily relate to the 426 indictments. Fines, recoveries/collections, administrative penalties, restitutions and claims established resulting from our investigations totaled about \$18.7 million. Costs of about \$88,000 were avoided.

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

## Indictments and Convictions

October 1, 1993 - March 31, 1994

Agency	Indictments	Convictions*
APHIS	1	5
ARS	0	1
ASCS	13	28
FAS	1	3
FCIC	12	12
FmHA	34	48
FNS	335	344
FS	16	17
FSIS	12	7
HNIS	0	1
OFM	1	2
SCS	1	0
Totals	426	468

\*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 2,552 calls and letters. These contacts included allegations of

participant fraud, employee misconduct, and mismanagement, as well as opinions about USDA programs. Figure 3 displays the volume and type of the various calls and letters we received and Figure 4 displays the disposition of those complaints.

Figure 3  
**Hotline Complaints**  
October 1, 1993 to March 31, 1994  
(Total = 2,552)

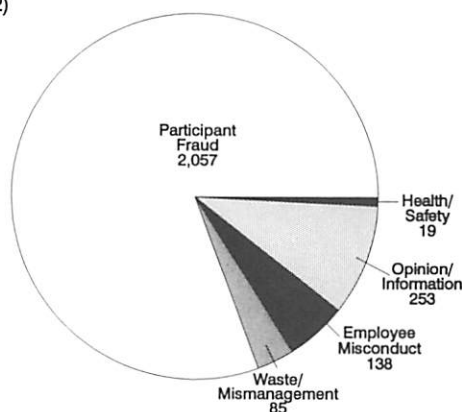
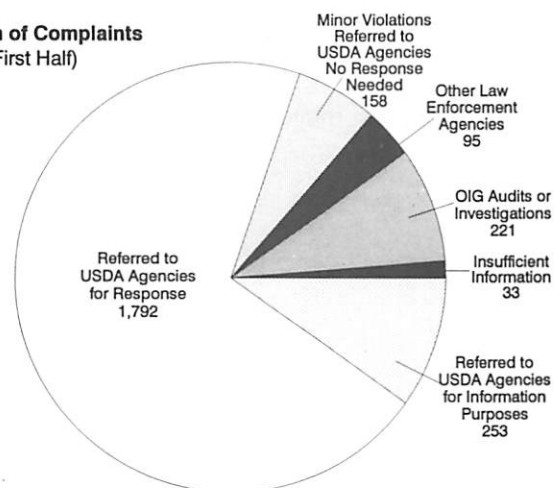


Figure 4  
**Disposition of Complaints**  
(FY 1994 - First Half)



## Freedom of Information Act Activities

During this period, OIG processed 258 requests under the Freedom of Information Act. Details follow:

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<b>Number of Requests Received</b>	<b>237</b>
<b>Number of Requests Processed:</b>	<b>258</b>
Number of Requests Granted in Full	115
Number of Requests Granted in Part	78
Number of Requests Not Granted	65
Total	<u>258</u>

### Records Not Granted Due To:

No Records Available	21
Requests Denied in Full	31
Referrals	13
Total	<u>65</u>

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### Other Data Not Affected Directly by the Requests:

Appeals Granted	0
Appeals Denied in Full	7
Appeals Denied in Part	0
Number of OIG Reports Released in Response to Requests	422

NOTE: A request may involve more than one report.

# Appendix I

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

		<u>DOLLAR VALUES</u>	
	<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 OCTOBER 1, 1993	72	\$338,409,740	\$7,212,367
B. WHICH WERE ISSUED DURING THIS REPORTING PERIOD	36	\$72,490,842	\$67,029,888
TOTALS	<u>108</u>	<u>\$410,900,582</u>	<u>\$74,242,255</u>
C. FOR WHICH A MANAGEMENT DECISION WAS MADE DURING THIS REPORTING PERIOD	59		
(1) DOLLAR VALUE OF DISALLOWED COSTS			
RECOMMENDED FOR RECOVERY		\$11,776,551	\$601,249
NOT RECOMMENDED FOR RECOVERY		\$65,381,154	
(2) DOLLAR VALUE OF COSTS NOT DISALLOWED		\$4,112,912	\$763,205
D. FOR WHICH NO MANAGEMENT DECISION HAS BEEN MADE BY THE END OF THIS REPORTING PERIOD	49	\$330,084,731	\$71,851,906
REPORTS FOR WHICH NO MANAGEMENT DECISION WAS MADE WITHIN 6 MONTHS OF ISSUANCE	25	\$260,338,994	\$4,929,125

<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 OCTOBER 1, 1993	23	\$53,363,853
B. WHICH WERE ISSUED DURING THE REPORTING PERIOD	10	\$234,383,078
TOTALS	<u>33</u>	<u>\$287,746,931</u>
C. FOR WHICH A MANAGEMENT DECISION WAS MADE DURING THE REPORTING PERIOD	14	
(1) DOLLAR VALUE OF DISALLOWED COSTS		\$20,388,710
(2) DOLLAR VALUE OF COSTS NOT DISALLOWED		\$9,798,760
D. FOR WHICH NO MANAGEMENT DECISION HAS BEEN MADE BY THE END OF THE REPORTING PERIOD	19	\$257,585,445
REPORTS FOR WHICH NO MANAGEMENT DECISION WAS MADE WITHIN SIX MONTHS OF ISSUANCE	13	\$24,219,213

# Appendix III

## SUMMARY OF AUDIT REPORTS RELEASED BETWEEN OCTOBER 1, 1993, AND MARCH 31, 1994

DURING THE 6-MONTH PERIOD BETWEEN OCTOBER 1, 1993, AND MARCH 31, 1994, THE OFFICE OF INSPECTOR GENERAL ISSUED 136 AUDIT REPORTS, INCLUDING 13 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	1			
AGRICULTURAL RESEARCH SERVICE	4	\$2,582		\$8,521
AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE	4	\$1,467,860		
FARMERS HOME ADMINISTRATION	13	\$341,619	\$70,748	\$24,860
FEDERAL CROP INSURANCE CORPORATION	1	\$88,631		
EXTENSION SERVICE	1			
FOREIGN AGRICULTURAL SERVICE	1	\$22,221		
FOREST SERVICE	3	\$11,547	\$11,547	\$5,882,379
RURAL ELECTRIFICATION ADMINISTRATION	2			
SOIL CONSERVATION SERVICE	1			
OFFICE OF FINANCE AND MANAGEMENT	2			
COOPERATIVE STATE RESEARCH SERVICE	1	\$407,733	\$204,121	\$822,398
FOOD SAFETY AND INSPECTION SERVICE	3			
FOOD AND NUTRITION SERVICE	14	\$67,375,907	\$66,551,003	\$227,184,036
RURAL DEVELOPMENT ADMINISTRATION	2	\$2,324,564		
ANIMAL AND PLANT HEALTH INSPECTION SERVICE	6			\$390,412
MULTI-AGENCY	77	\$448,178	\$192,469	\$70,472
TOTALS	136	\$72,490,842	\$67,029,888	\$234,383,078
TOTAL COMPLETED:				
SINGLE AGENCY AUDIT	59			
MULTIAGENCY	77			
TOTAL RELEASED NATIONWIDE	136			
TOTAL COMPLETED UNDER CONTRACT <sup>b</sup>	13			
TOTAL SINGLE AUDIT ISSUED <sup>c</sup>	74			

<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  
BETWEEN OCTOBER 1, 1993 AND MARCH 31, 1994**

<b>AUDIT NUMBER RELEASE DATE</b>	<b>TITLE</b>		<b>QUESTIONED COSTS AND LOANS</b>	<b>UNSUPPORTED COSTS AND LOANS</b>	<b>FUNDS BE PUT TO BETTER USE</b>
<b>AGRICULTURAL MARKETING SERVICE</b>					
01-099-0002-TE 94/03/28	PEANUT QUALITY INSPECTIONS AND COMPLIANCE AUDITS				
TOTAL: AGRICULTURAL MARKETING SERVICE		<u>1</u>			
<b>AGRICULTURAL RESEARCH SERVICE</b>					
02-545-0002-CH 93/11/23	PREAWARD AUDIT - CONSORTIUM FOR INTERNATIONAL EARTH SCIENCE INFORMATION NETWORK				\$8,521
02-545-0018-AT 93/11/03	JONES MAINTENANCE - FY 1988, INCURRED COST AND OVERHEAD REVIEW				
02-545-0037-HY 94/01/11	INCURRED COST AUDIT MASSACHUSETTS INSTITUTE OF TECHNOLOGY-FY1989				
02-545-0061-HY 94/03/04	MIT INCURRED COST AUDIT OF CONTRACT 533K0605		\$2,582		
TOTAL: AGRICULTURAL RESEARCH SERVICE		<u>4</u>	<u>\$2,582</u>		<u>\$8,521</u>
<b>AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE</b>					
03-097-0001-HQ 94/03/23	REVIEW OF OPERATIONS OF AN ASCS OFFICIAL		\$1,008		
03-097-0003-AT 93/11/18	DISASTER PAYMENTS - GRADY COUNTY, GA		\$237,517		
03-099-0165-TE 93/12/09	PEANUT PROGRAM MARKETING PRACTICES - TX AND AR		\$1,229,335		
03-600-0016-FM 94/03/01	FISCAL YEAR 1993 CCC FINANCIAL STATEMENTS				
TOTAL: AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE		<u>4</u>	<u>\$1,467,860</u>		
<b>FARMERS HOME ADMINISTRATION</b>					
04-097-0001-CH 94/01/11	SERVICING OF FARM PROGRAM LOAN - IN				
04-097-0004-KC 94/03/09	COUNTY OFFICE OPERATIONS, DILLON, MT		\$277,660	\$69,473	
04-099-0075-HY 94/03/17	COMMERCIAL TWP., NJ HOUSING PRESERVATION GRANT		\$29,196	\$1,275	
04-099-0098-SF 93/10/21	ELIGIBILITY OF RRH PROJECT IN ETNA, CA				
04-099-0099-SF 94/03/11	MANAGEMENT OF RURAL RENTAL HOUSING PROJECTS IN WA		\$26,516		
04-099-0100-SF 94/03/23	MANAGEMENT OF RURAL RENTAL HOUSING IN CA				\$2,295
04-099-0101-SF 94/03/07	FINANCIAL STATEMENT AUDIT OF CITRUS MANOR DEVELOPMENT, FYE 12-31-93				
04-099-0102-SF 94/03/25	FINANCIAL STATEMENT AUDIT OF PARKVIEW PROPERTIES, FYE 12-31-93				
04-099-0117-CH 94/03/23	RRH MANAGEMENT OPERATIONS IN MI		\$8,247		
04-099-0119-CH 94/03/18	RURAL RENTAL HOUSING PROGRAM - PATASKALA DEVELOPMENT CO. - OH				\$22,565
04-545-0002-SF 93/10/05	INCURRED COSTS AUDIT - RURAL COMMUNITY ASSIS- TANCE CORPORATION, SACRAMENTO, CA				
04-600-0017-FM 94/02/07	FINANCIAL STATEMENT AUDIT - FMHA - FY92 MANAGEMENT ISSUES IDENTIFIED FY 1992 AUDIT				
04-600-0019-FM 94/03/01	FISCAL YEAR 1993 FMHA FINANCIAL STATEMENTS FINANCE OFFICE				
TOTAL: FARMERS HOME ADMINISTRATION		<u>13</u>	<u>\$341,619</u>	<u>\$70,748</u>	<u>\$24,860</u>

**AUDIT REPORTS RELEASED AND ASSOCIATED MONETARY VALUES  
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<b>AUDIT NUMBER RELEASE DATE</b>	<b>TITLE</b>		<b>QUESTIONED COSTS AND LOANS</b>	<b>UNSUPPORTED COSTS AND LOANS</b>	<b>FUNDS BE PUT TO BETTER USE</b>
<b>FEDERAL CROP INSURANCE CORPORATION</b>					
05-099-0022-AT 94/01/31	TOBACCO INDEMNITY PAYMENTS - MITCHELL CO., GA		\$88,631		
	<b>TOTAL: FEDERAL CROP INSURANCE CORPORATION</b>	<u>1</u>	<u>\$88,631</u>		
<b>EXTENSION SERVICE</b>					
06-097-0002-HY 94/03/21	AUDIT OF COOP AGREEMENTS				
	<b>TOTAL: EXTENSION SERVICE</b>	<u>1</u>			
<b>FOREIGN AGRICULTURAL SERVICE</b>					
07-020-0005-HY 94/03/24	MARKET PROMOTION, FOREIGN ORIGIN COMM.		\$22,221		
	<b>TOTAL: FOREIGN AGRICULTURAL SERVICE</b>	<u>1</u>	<u>\$22,221</u>		
<b>FOREST SERVICE</b>					
08-099-0047-AT 93/12/15	MANAGEMENT LETTER - FY 1992				
08-545-0023-HY 93/10/12	CONTRACTING ACTIVITIES FOR INTERNATIONAL UNION OF OPERATING ENGINEERS		\$11,547	\$11,547	
08-600-0015-AT 93/11/18	SALVAGE SALE FUND - COLLECTIONS AND EXPENDITURES				\$5,882,379
	<b>TOTAL: FOREST SERVICE</b>	<u>3</u>	<u>\$11,547</u>	<u>\$11,547</u>	<u>\$5,882,379</u>
<b>RURAL ELECTRIFICATION ADMINISTRATION</b>					
09-097-0001-CH 93/11/02	USE OF LOAN FUNDS - RIGHT HENNEPIN ELECTRIC CO-OP - MAPLE LAKE, MN				
09-545-0001-HY 94/03/25	INCURRED COST ON LOCATION				
	<b>TOTAL: RURAL ELECTRIFICATION ADMINISTRATION</b>	<u>2</u>			
<b>SOIL CONSERVATION SERVICE</b>					
10-099-0014-KC 94/03/31	ALTERNATIVE CONSERVATION SYSTEMS				
	<b>TOTAL: SOIL CONSERVATION SERVICE</b>	<u>1</u>			
<b>OFFICE OF FINANCE AND MANAGEMENT</b>					
11-600-0002-FM 93/12/30	FISCAL YEAR 1993 NFC GENERAL CONTROLS REVIEW				
11-800-0001-AT 94/03/31	NFC TREASURY RECONCILIATION PROCEDURES				
	<b>TOTAL: OFFICE OF FINANCE AND MANAGEMENT</b>	<u>2</u>			
<b>COOPERATIVE STATE RESEARCH SERVICE</b>					
13-099-0002-KC 94/03/31	GRANTEE COMPLIANCE WITH SMALL BUSINESS INNOVATION RESEARCH PROGRAM PROVISIONS		\$407,733	\$204,121	\$822,398
	<b>TOTAL: COOPERATIVE STATE RESEARCH SERVICE</b>	<u>1</u>	<u>\$407,733</u>	<u>\$204,121</u>	<u>\$822,398</u>

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<b>AUDIT NUMBER RELEASE DATE</b>	<b>TITLE</b>	<b>QUESTIONED COSTS AND LOANS</b>	<b>UNSUPPORTED COSTS AND LOANS</b>	<b>FUNDS BE PUT TO BETTER USE</b>
<b>FOOD SAFETY AND INSPECTION SERVICE</b>				
24-600-0001-CH 93/11/18	MEAT AND POULTRY INSPECTION - QUALITY CONTROL PROGRAMS			
24-600-0002-CH 94/01/18	STATE MEAT AND POULTRY INSPECTION PROGRAMS			
24-600-0003-AT 94/02/28	ADEQUACY OF CONTROLS TO ENSURE MICROBIOLOGICAL SAFETY			
<b>TOTAL: FOOD SAFETY AND INSPECTION SERVICE</b>		<b>3</b>		
<b>FOOD AND NUTRITION SERVICE</b>				
27-013-0064-AT 94/01/19	FOOD STAMP PROGRAM, FL	\$66,414,350	\$66,414,350	\$71,687,079
27-023-0198-CH 94/02/03	NATIONAL SCHOOL LUNCH PROGRAM - PROCUREMENT ACTIVITIES IN DETROIT, MI			\$941,000
27-023-0255-TE 93/12/30	CHILD NUTRITION PROGRAMS - FANNINDEL SCHOOL DISTRICT, LADONIA, TX	\$180,106	\$127,976	
27-070-0003-HY 94/03/31	MANAGEMENT LETTER FOR FY 1991 FNS FINANCIAL STATEMENT	\$148,750		
27-070-0004-HY 94/03/31	FY 1992 FINANCIAL STATEMENTS, FNS			
27-070-0006-HY 94/02/28	ISSUES IDENTIFIED DURING AUDIT OF FNS FY 1992 FIN. STATEMENTS REQUIRING MANAGEMENT ACTION			\$154,555,957
27-097-0001-CH 93/10/29	WIC ADMIN. COSTS ALTGELD CLINIC - IL			
27-099-0003-KC 94/03/31	CHILD AND ADULT CARE FOOD PROGRAM	\$10,355	\$1,176	
27-099-0028-SF 93/12/22	CHILD AND ADULT CARE FOOD PROGRAM - DAY CARE HOMES - STATE OF CALIFORNIA	\$7,501	\$7,501	
27-099-0056-AT 94/03/17	CACFP - DAY CARE HOMES IN GA	\$14,778		
27-099-0057-AT 94/03/18	COMPLIANCE BRANCH OFFICE FOOD STAMP ACCOUNTABILITY - SOUTHEAST REGION	\$5,867		
27-600-0005-TE 93/11/01	FOOD STAMP PROGRAM - ADMINISTRATIVE COST IN LA	\$30,663		
27-600-0008-SF 94/02/17	FOOD STAMP PROGRAM - ADMIN. COST - WA	\$491,451		
27-600-0014-CH 94/03/10	FOOD STAMP PROGRAM, ADMINISTRATIVE COSTS - OH	\$72,086		
<b>TOTAL: FOOD AND NUTRITION SERVICE</b>		<b>14</b>	<b>\$67,375,907</b>	<b>\$66,551,003</b>
<b>RURAL DEVELOPMENT ADMINISTRATION</b>				
32-099-0001-SF 93/11/10	BUSINESS AND INDUSTRIAL LOAN PROGRAM - FINAL LOSS CLAIM - VAIL HOLDINGS GRP INC., VAIL, CO	\$2,321,024		
32-099-0003-AT 93/12/17	B&I LOAN GUARANTEE - HARRISON LUMBER COMPANY, INC.	\$3,540		
<b>TOTAL: RURAL DEVELOPMENT ADMINISTRATION</b>		<b>2</b>	<b>\$2,324,564</b>	
<b>ANIMAL AND PLANT HEALTH INSPECTION SERVICE</b>				
33-545-0016-HY 93/10/30	LABAT-ANDERSON INCURRED COST AUDIT			
33-545-0018-HY 94/02/24	USER TECHNOLOGY ASSOCIATES - INCRD COST 90-91			
33-545-0019-HY 94/02/24	PREAWARD OF IDEXX PROPOSAL 19-M-APHIS-94			
33-545-0020-HY 94/03/28	CORREA INC. INCURRED COST			

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33-545-0021-HY 94/03/04	PREAWARD OF IDEXX PROPOSAL #1-M-APHIS-94			\$390,412
33-545-0022-HY 94/03/28	PRE AWARD AUDIT, BECTON DICKENSON MICROBIOLOGY SYSTEMS			
TOTAL: ANIMAL AND PLANT HEALTH INSPECTION SERVICE		<u>6</u>	<u></u>	<u>\$390,412</u>
MULTI-AGENCY				
50-099-0038-AT 94/03/31	COMPLIANCE WITH REQUIREMENTS OF PUBLIC LAW 100-121			
50-561-0220-SF 94/02/22	A-133 AUDIT OF UNIVERSITY OF GUAM - FYES SEPTEMBER 30, 1992 AND 1991			
50-561-0221-SF 94/03/03	A-133 AUDIT OF THE UNIV OF NV FISCAL PERIOD 7/1/90 - 6/30/92			
50-563-0203-AT 94/02/03	A-133, AUDIT OF DUKE UNIVERSITY, DURHAM, NC, FOR 2 YEARS ENDED 6/30/92			
50-563-0204-AT 94/02/03	A-133, AUDIT OF SPELMAN COLLEGE, ATLANTA, GA, 2 YEARS ENDED 6/30/92			
50-563-0205-AT 94/02/16	A-133, AUDIT OF DELTA STATE UNIVERSITY, FYE 6/30/92			
50-563-0206-AT 94/02/16	A-133, AUDIT OF CLEMSON UNIVERSITY, CLEMSON, SC, FYE 6/30/92			
50-563-0207-AT 94/02/03	A-110, AUDIT OF MS STATE UNIVERSITY, STARKVILLE, MS, FYE 6/30/91			
50-563-0208-AT 94/02/03	A-133, AUDIT OF MOREHEAD STATE UNIVERSITY, MOREHEAD, FYE 6/30/92			
50-563-0209-AT 94/02/03	A-110, AUDIT OF AUBURN UNIVERSITY, AUBURN, AL FYE 9/30/90			
50-563-0210-AT 94/02/16	A-133, AUDIT OF UNIVERSITY OF SOUTHERN MS, FYE 6/30/92			
50-563-0211-AT 94/02/15	A-110, AUDIT OF MS STATE UNIVERSITY, STARKVILLE, MS, FYE 6/30/92			
50-563-0213-AT 94/02/08	A-133, AUDIT OF THE UNIVERSITY OF MS, UNIVERSITY, MS, FYE 6/30/92			
50-563-0214-AT 94/02/08	A-133, AUDIT OF UNIVERSITY OF AL, TUSCALOOSA, AL, FOR 2 YEARS ENDED 9/30/92			
50-563-0215-AT 94/02/08	A-133, AUDIT OF UNIVERSITY OF AL AT BIRMINGHAM FOR 2-YEAR PERIOD ENDED 9/30/92			
50-566-0016-TE 94/03/09	SINGLE AUDIT OF THE ARK. FORESTRY COMMISSION FOR THE FISCAL YEAR ENDED 6/30/92			
50-566-0028-SF 94/02/09	A-128 AUDIT OF CITY OF SAN JOSE, FYE 6/30/93			
50-566-0029-KC 94/02/15	A-128, WY DEPARTMENT OF AGRICULTURE (FY 6/92) CHEYENNE, WY	\$19,331	\$18,693	
50-568-0121-HY 93/11/18	STATE OF DELAWARE A-128 6/30/91	\$19,466	\$19,466	
50-568-0187-TE 94/03/01	SINGLE AUDIT OF THE STATE OF LOUISIANA FOR YEAR ENDED JUNE 30, 1992			
50-568-0188-TE 94/03/18	SINGLE AUDIT OF THE STATE OF OKLAHOMA FOR THE YEAR ENDED JUNE 30, 1992	\$540		
50-568-0189-TE 94/03/22	SINGLE AUDIT OF AR DPT HUMAN SERVICES FOR THE YEAR ENDED JUNE 30, 1991			
50-568-0252-CH 93/11/05	SINGLE AUDIT OF THE IN DEPARTMENT OF NATURAL RESOURCES			
50-568-0253-CH 93/11/05	SINGLE AUDIT OF THE IL DEPARTMENT OF COMMERCE AND COMMUNITY AFFAIRS			
50-568-0254-CH 93/11/05	SINGLE AUDIT OF THE CITY OF DETROIT, MI			
50-568-0255-CH 94/01/07	SINGLE AUDIT OF THE MI DEPT OF PUBLIC HEALTH			
50-568-0256-CH 94/02/17	SINGLE AUDIT OF THE STATE OF OHIO			



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50-568-0257-CH 94/03/11	SINGLE AUDIT OF THE STATE OF WISCONSIN			
50-568-0259-AT 93/11/03	OMB CIRCULAR A-128, STATEWIDE AUDIT OF FL, FYE 6/30/90	\$2,008		\$70,472
50-568-0260-AT 94/03/02	A-128 AUDIT OF STATE OF MISSISSIPPI, FYE 6/30/91			
50-568-0261-AT 94/03/01	A-128 AUDIT OF THE STATE OF TENNESSEE - FYE 6/30/91	\$27,556		
50-568-0262-AT 94/03/01	A-128 AUDIT OF THE AL DEPT. OF HUMAN RESOURCE FOR 2 YEARS ENDED 9/30/90			
50-568-0263-AT 94/03/01	A-128 AUDIT OF FULTON COUNTY, ATLANTA, GA, FOR FYE 12/31/91			
50-568-0264-AT 94/03/08	A-128 AUDIT OF THE CITY OF ALBANY, GA, FYE 6/30/92			
50-568-0265-AT 94/03/01	A-128 AUDIT OF CITY OF ALBANY, GA, FOR FYE 6/30/91			
50-568-0266-AT 94/02/02	A-128 AUDIT OF FORSYTH COUNTY, NC, FOR FYE 6/30/92			
50-568-0266-KC 93/11/24	A-128, STATE OF SOUTH DAKOTA, FY END 6/30/92			
50-568-0267-AT 94/02/15	A-128 AUDIT OF THE STATE OF KENTUCKY, FYE 6/30/92			
50-568-0267-KC 94/01/21	A-128, STATE OF MISSOURI, JEFFERSON CITY, MO (FY 6/92)	\$5,332		
50-568-0268-AT 94/02/15	A-128, STATE OF ALABAMA, DEPT. OF EDUCATION FOR 2-YEAR PERIOD ENDING 9/30/90			
50-568-0268-KC 94/01/27	A-128, STATE OF UTAH, SALT LAKE CITY, UT (FY 6/92)	\$218,760		
50-568-0269-AT 94/02/02	A-128, AUDIT OF NASHVILLE/DAVIDSON COUNTY, TN, FYE 6/30/92			
50-568-0269-KC 94/02/08	A-128, STATE OF KANSAS, TOPEKA, KS (FY 6/92)	\$859	\$717	
50-568-0270-AT 94/02/02	A-128, AUDIT OF THE CITY OF BIRMINGHAM, AL, FYE 6/30/92			
50-568-0270-KC 94/01/25	A-128, STATE OF NORTH DAKOTA (2 YEARS ENDED 6/30/92), BISMARCK, ND			
50-568-0271-AT 94/02/02	A-128, AUDIT OF LEXINGTON-FAYETTE URBAN COUNTY, KY, FYE 6/30/92			
50-568-0271-KC 94/03/01	A-128, STATE OF IOWA, DES MOINES, IA (FY 6/92)			
50-568-0272-AT 94/02/02	A-128, AUDIT OF GWINNETT CO., LAWRENCEVILLE, GA, FYE 12/31/92			
50-568-0272-KC 94/03/29	A-128, WY GOVERNOR'S OFFICE (2 FY'S ENDED 6/30/92), CHEYENNE, WY			
50-568-0273-AT 94/02/02	A-128, AUDIT OF COBB COUNTY, GA, FYE 9/30/91			
50-568-0275-AT 94/02/02	A-128, AUDIT OF THE CITY OF LAGRANGE, GA, FYE 6/30/93			
50-568-0276-AT 94/02/02	A-128, AUDIT OF PALM BEACH COUNTY, W. PALM BEACH, FL, FYE 9/30/92			
50-568-0555-SF 93/10/22	A-128 REPORT ON REPUBLIC OF PALAU FYE 9/30/90	\$33,396	\$33,396	
50-568-0556-SF 93/11/03	A-128 REPORT ON THE STATE OF WASHINGTON - FYE 6/30/92	\$35,703	\$35,197	
50-568-0557-SF 93/11/17	A-128 REPORT ON THE HAWAII STATE DEPARTMENT OF EDUCATION - FYE 6/30/92			
50-568-0558-SF 93/11/03	A-128 REPORT ON THE HAWAII STATE DEPARTMENT OF SOCIAL SERVICES - FYE 6/30/92			
50-568-0559-SF 94/01/13	A-128 REPORT ON CALIFORNIA - STATEWIDE - FYE 6/30/91	\$85,000	\$85,000	
50-568-0560-SF 94/01/20	A-128 REPORT ON COUNTY OF LOS ANGELES FYE 6/30/92			
50-568-0561-SF 94/01/19	A-128 REPORT ON BEWTON COUNTY WA FYE 12/31/92			

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50-568-0562-SF 94/02/09	A-128 AUDIT OF STATE OF OREGON, FYE 6/30/92	\$227		
50-568-0563-SF 94/02/03	A-128 AUDIT OF COUNTY OF TRINITY, CA 6/30/93			
50-568-0564-SF 94/02/03	A-128 AUDIT OF EXECUTIVE OFFICE ON AGING - HAWAII FYE 6/30/92			
50-568-0565-SF 94/02/11	A-128 AUDIT OF STATE OF ALASKA - STATEWIDE FYE 6/30/92			
50-568-0567-SF 94/02/28	A-128 AUDIT OF COMMONWEALTH OF NORTHERN MARIANA ISLANDS FOR FYE 9/30/91			
50-568-0568-SF 94/02/28	A-128 AUDIT OF THE COUNTY OF PIMA, AZ - FYE 6/30/92			
50-568-0569-SF 94/03/07	A-128 AUDIT OF THE COUNTY OF LINN, OR - FYE 6/30/93			
50-568-0570-SF 94/03/11	A-128 AUDIT OF COMMONWEALTH OF NORTHERN MARIANA ISLANDS FOR FYE 9/30/90			
50-568-0571-SF 94/03/10	A-128 AUDIT OF REPUBLIC OF THE MARSHALL ISLANDS FOR FYE 9/30/92			
50-568-0572-SF 94/03/24	A-128 AUDIT OF THE CITY OF LONG BEACH, CA, FOR FYE 6/30/93			
50-568-0573-SF 94/03/25	A-128 AUDIT OF THE COUNTY OF CALAVERAS, CA, FOR FISCAL YEAR ENDED JUNE 30, 1993			
50-568-0574-SF 94/03/25	A-128 AUDIT OF THE COUNTY OF SISKIYOU, CA, FOR THE FISCAL YEAR ENDED JUNE 30, 1993			
50-568-0575-SF 94/03/25	A-128 AUDIT OF THE COUNTY OF BUTTE, CA, FOR THE FISCAL YEAR ENDED JUNE 30, 1993			
50-568-0576-SF 94/03/25	A-128 AUDIT OF THE COUNTY OF SANTA CRUZ, CA, FOR THE FISCAL YEAR ENDED JUNE 30, 1993			
50-568-0578-SF 94/03/30	A-128 AUDIT OF THE CITY & COUNTY OF HONOLULU, HI, FOR FISCAL YEAR ENDED JUNE 30, 1993			
50-568-0579-SF 94/03/29	A-128 AUDIT OF THE CITY OF ALHAMBRA, CA, FOR FISCAL YEAR ENDED JUNE 30, 1993			
50-600-0011-FM 94/01/05	USDA FISCAL YEAR 1992 MANAGEMENT ISSUES			
50-600-0012-FM 93/12/31	1993 FMFIA REVIEW			
TOTAL: MULTI-AGENCY		<u>77</u>	<u>\$448,178</u>	<u>\$192,469</u>
TOTAL: RELEASE - NATIONWIDE		<u>136</u>	<u>\$72,490,842</u>	<u>\$67,029,888</u>
				<u>\$234,383,078</u>

