



United States  
Department of  
Agriculture

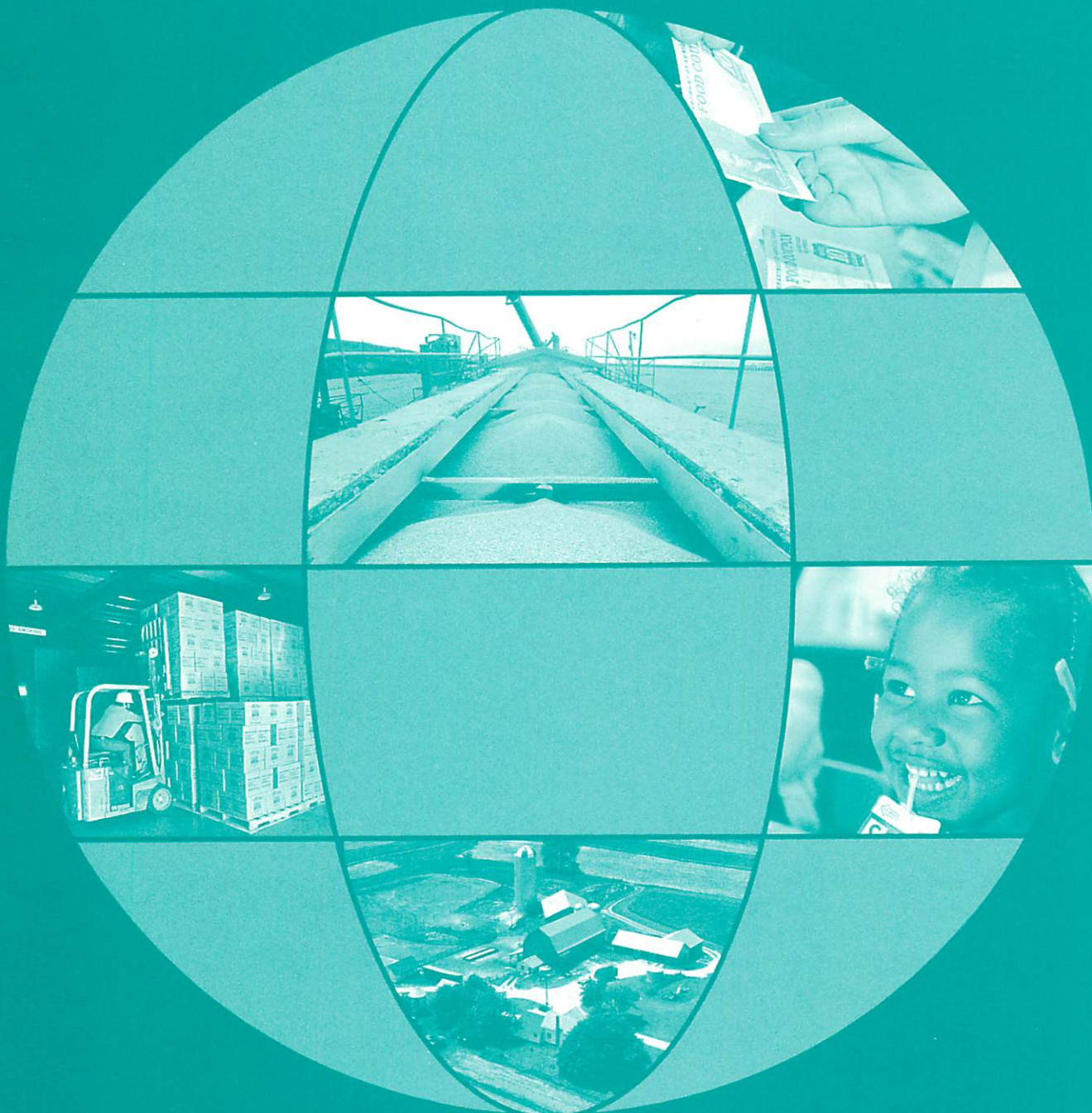
Office of  
Inspector  
General

No. 33

May 1995

# Office of Inspector General Semiannual Report to Congress

FY 1995—First Half



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

May 1, 1995

Honorable Dan Glickman  
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 ended March 31, 1995.

During this period, we pursued an aggressive audit and investigative program which yielded significant monetary and nonmonetary results, including approximately \$29.9 million in recoveries, collections, restitutions, fines, claims established, administrative penalties and costs avoided. Management agreed to put an additional \$244 million to better use. We also identified \$40.8 million in questioned costs that cannot be recovered. Our investigative efforts resulted in 473 indictments and 420 convictions.

Additionally, we provided significant input to Congress and Departmental managers to improve operations in several program areas, including the food stamp program, marketing loans, and debt management. A number of our legislative initiatives are pending before Congress, while others, such as our recommendations to improve disaster program operations, have already been implemented and have shown positive results.

Working as a team, both within our organization and with program managers throughout the Department, we have taken positive steps to improve Departmental programs and operations. I look forward to continuing these efforts with you.

Sincerely,

  
ROGER C. VIADERO  
Inspector General

Enclosure

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# Executive Summary

This is the 33rd 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, 1994, through March 31, 1995.

## Results

During this period, we issued 175 audit reports and reached management decisions on 131 audits. Based on this work, management officials agreed to recover \$12.7 million and to put an additional \$244 million to better use.

We also issued 471 reports of investigation during this period. Our investigative efforts resulted in 473 indictments, 420 convictions, and approximately \$17.2 million in recoveries, fines, restitutions, administrative penalties, claims established, and cost avoidance.

## Legislative Initiatives

OIG frequently recommends legislative changes to correct program deficiencies that cannot be fixed through regulation or policy. During this period, our legislative recommendations were concentrated on the Food Stamp Program, the Marketing Loan Program, and the governmentwide management of guaranteed loans in default.

Historically, our concern with the Food Stamp Program has been with stores that are prone to traffick in food stamps. Many of these stores generally seek authorization to accept food stamps even though they have little or no food to sell. To combat trafficking, we recommended a series of legislative changes that would tighten controls over store eligibility, including a requirement that stores seeking to accept food stamps have a business license and a history of retail sales as a grocery or post a surety bond. We also recommended tougher penalties for trafficking, including the suspension of those caught trafficking and forfeiture of assets derived from trafficking.

In the Marketing Loan Program, we found that cotton and rice producers received incentive payments in excess of amounts needed to encourage them to sell their crops rather than forfeit the commodity to CCC. Under the incentive, producers were allowed to repay the crop loan at a value lower than the loan repayment

rate, or receive a cash payment equal to this discount, when the adjusted world price (AWP) was less than the loan rate. The AWP was used only for rice and cotton. Domestic prices were utilized for other commodities with other marketing loans. The use of domestic prices in calculating marketing loan benefits for rice and cotton would also encourage producers to sell when the domestic price is below the established loan rate. The use of the lower AWP for calculating the marketing loan benefits cost the Government over \$1 billion from 1989 to 1992. We recommended that the domestic prices also be used for cotton and rice.

Our audit of debt management governmentwide, performed on behalf of the President's Council on Integrity and Efficiency, led to a discovery that some Government agencies face legislative obstacles in managing "invisible debt" — debt that has some potential for collection but does not appear on financial statements as an asset because it results from defaults on loans. Some agencies are restricted by law from establishing a debt against a borrower who defaults on a guaranteed loan, even though the borrower may have the ability to repay the amount due. We found that defaulted housing loans run to about \$2.2 billion annually, some of which represents "invisible debt." Officials from the Office of Management and Budget plan to try to remove the legal restriction against collecting on this debt.

## Investigative Efforts

During this period, we continued to focus investigative efforts on food stamp trafficking, including the misuse of the Electronic Benefits Transfer (EBT) card, used to distribute Food Stamp Program benefits electronically. As a result of our investigations into trafficking with EBT cards, a grocer in Maryland was sentenced to 1-1/2 years in prison for illegally trafficking \$500,000 in EBT payments. In another case, the owner of an indoor market in Baltimore was sentenced to 3-1/2 years for illegally trafficking \$1.2 million in electronic benefits with recipients. Electronic monitoring of illegal EBT transfers has already identified over 7,000 recipients in the Baltimore area who trafficked up to \$2.1 million in benefits through several small stores. Investigations into trafficking in paper food stamps also continue. Two owners of a New York restaurant supply business were caught trafficking \$3.5 million in food stamps over a 3-year period. Part of the stamps had been laundered for other traffickers. In another case, the mayor of a

town in Georgia pled guilty to trafficking over \$580,000 in food stamps over a 4-year period through a grocery store he owned. The mayor resigned his position and was sentenced to 1-1/2 years in prison.

Other significant cases in the food and consumer area involved bid rigging in the National School Lunch Program.

In the area of commodity programs, we investigated cases involving grain contamination and commodity export fraud. In one case in Minnesota, a man was sentenced to 5 years in prison after he knowingly sprayed an unapproved pesticide on 19 million bushels of oats used in the manufacture of breakfast cereal. In another case, a food broker in New Jersey was ordered to pay \$1.9 million in fines, forfeitures, and restitution after he was found guilty of diverting foreign-sugar products onto the domestic market. The broker obtained the products from the U.S. manufacturer at a discount because the products were made with imported sugar for reexport only, and the broker convinced the manufacturer that he would only sell them abroad.

In addition to these efforts, this report describes our investigations into cases of fraud in crop insurance, acreage reduction, commodity storage, and food and plant safety programs, as well as cases of employee misconduct.

### **Audit Efforts**

During this period, significant changes were made in the Department's administration of disaster assistance for "nonprogram" crops, such as fruits and vegetables. Our continuing audit of 1993 disaster assistance verified the need for these changes. Congress has given the Department authority to provide separate disaster payment rates for crops carried through to harvest and crops not harvested. This should preclude the abuse we found practiced by farmers who left crops in the fields when harvesting costs rose above market prices. The Department also stiffened penalties for misrepresentation and now requires farmers to prove that their crops were planted and appropriately tended to. In the area of payment limitations, we continue to find farmers who scheme to evade the limit, and we have cautioned the Department that one of its revised procedures gives farmers an opportunity to skirt the controls over program abuse. The procedure allows farmers to bring other

"contributors" into their operations without requiring any contributions from them before the Government payments are made. This does not reflect legislative intent. We are working with the Department on this issue as well as others concerning farm reconstitutions, grazing association loans, and the 90-day deadline for demanding repayment of program overpayments.

Also during this period, we reviewed the Foreign Agricultural Service's program covering food aid and discount sales to foreign countries. We support the Service's efforts to simplify the program by consolidating its food aid objectives under a separate legal authority. However, we believe that further simplification is necessary and that the program should be exempt from cargo preference laws that require almost all Title I cargo to be shipped on U.S. flag carriers. The cargo preference complicates commodity availability and has caused some buyers to place smaller orders and delay purchases. It has also cost the Department over \$130 million over the last 3 years. Department officials are considering our suggestions in their legislative proposals.

In the area of food and consumer services, we reviewed food stamp certifications in New York City and in areas of Texas that had been declared eligible for disaster relief. We found that Texas officials had completed their certifications properly during the recent disaster but that New York had issued \$6.9 million in excess food stamp benefits because it continued extending food stamps to recipients who had not been recertified after their certification periods expired. Food and Consumer Service officials agreed to initiate sanctions if New York did not install needed computer controls. The Service also agreed to review all States' administrative cost claims more closely, as a result of our audit of administrative cost overclaims in six States. We found over \$10 million in questionable reimbursements to those States. Other audits completed in the food and consumer area focused on the Child Nutrition Programs; the Special Supplemental Food Program for Women, Infants, and Children; and the Child and Adult Food Care Program.

Our audit of the Animal and Plant Health Inspection Service (APHIS) found that the agency does not have the authority it needs to police the Animal Welfare Act properly. It cannot terminate licenses or refuse to renew them without a lengthy hearing process, and it cannot assess monetary penalties for violations unless

the violator agrees to pay them. Animal dealers have little incentive to comply with the act, and some routinely deny APHIS inspectors access to their facilities. We recommended that APHIS take more aggressive actions on its own and seek legislative authority to extend its policing powers. During this period, we also reviewed APHIS' administration of inspection fees and its monitoring of pesticide applications.

In the area of land conservation, we found that a program, partially funded by USDA, to control salinity in the Colorado River Basin was ineffective and subject to abuse. Local contributors to the program claimed Federal reimbursement for materials that were never used and for work whose actual cost was less than reported. Some projects did not lead to salinity reduction; one project diverted water to an urban park and increased the salinity loading of the river. The two USDA agencies responsible for overseeing the program agreed to coordinate their efforts to control costs and reestablish the effectiveness of the projects. In a separate audit, we found that a district conservationist incorrectly admitted 16,000 ineligible acres into the Conservation Reserve Program, allowing landowners to receive \$1.2 million in improper conservation reserve payments. Department officials are reviewing the case for disciplinary action.

During this period, we also continued monitoring Info Share, and issued two audit reports to help project managers reevaluate their plans and efforts. We found problems with planning processes, contract administration and computer security. At management's request, we also reviewed Info Share expenditures for fiscal years 1993 and 1994. We found that although the project's accounting system was accurate for expenditures paid directly out of Info Share funds, it did not accurately account for all project-related expenses paid by partner agencies, resulting in a total understatement of project costs of \$80 million over the 2 years. In December 1994, a new program manager was selected to redirect and improve the Info Share effort.

Our audits of agency financial statements resulted in one qualified opinion during this period. We rendered this opinion on the financial statement for the combined programs of the former Farmers Home Administration and the Rural Development Administration. The subsidy cost data from these agencies was not adequate to allow us to determine how reasonable their allowance was for subsidy on loans obligated after 1991. Agency management generally agreed with our findings and recommendations.

In addition to the results just described, this report summarizes our reviews of the Meat and Poultry Inspection Program, the Rural Rental Housing Program, potential conflicts of interest in agricultural research grants, maintenance backlogs at Forest Service recreation sites, appraisals of corn losses in the Midwest, and the Department's tracking of cases in litigation.

## Summary of Audit Activities

<b>Audit Reports Issued</b> .....		175
Audits Performed by OIG .....	93	
Audits Performed Under Single Audit Act .....	74	
Audits Performed by Others .....	8	
<b>Management Decisions Made</b>		
Number of Reports .....		131
Number of Recommendations .....		757
<b>Dollar Impact (Millions)</b>		
Questioned/Unsupported Costs .....	\$53.5 <sup>ab</sup>	
Recommended for Recovery .....	\$12.7	
Not Recommended for Recovery .....	\$40.8	
Funds To Be Put to Better Use .....	\$244.0	
<b>Total</b> .....		\$297.5

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

<sup>b</sup>The recoveries realized could change as the auditees implement the agreed-upon corrective action plans and seek recovery of amounts recorded as debts due the Department.

## Summary of Investigative Activities

Reports Issued .....		471
Cases Opened .....		529
Cases Closed .....		540
Cases Referred for Prosecution .....		406
<b>Impact of Investigations</b>		
Indictments .....		473
Convictions .....		420 <sup>a</sup>
Searches .....		84
Arrests .....		275
Subpoenas .....		187
<b>Total Dollar Impact (Millions)</b> .....		\$17.2
Recoveries/Collections .....	\$4.9 <sup>b</sup>	
Restitutions .....	\$5.7 <sup>c</sup>	
Fines .....	\$4.2 <sup>d</sup>	
Claims Established .....	\$1.0 <sup>e</sup>	
Administrative Penalties .....	\$0.4 <sup>f</sup>	
Cost Avoidance .....	\$1.0 <sup>g</sup>	

### Administrative Sanctions

Employees .....	31
Businesses/Persons .....	521

<sup>a</sup>Includes convictions and pretrial diversions. Also, the period of time to obtain court action on an indictment varies widely; therefore, the 420 convictions do not necessarily relate to the 473 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 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.

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



# Legislative Initiatives

Through our investigations, audits, and testimony before Congress, OIG has routinely been the instrument of legislative initiatives to amend laws governing program functions found vulnerable to fraud, waste, or mismanagement. During this reporting period, we recommended major legislative changes in the Food Stamp Program and in the Department's price support and marketing loan programs. Also during this period, legislation was enacted that will effect needed, long-term changes to the crop loss programs, whose abuse we had reported in our previous semiannual reports to Congress.

## Food Stamp Program

Current congressional and public debate about welfare reform has focused national attention on the Food Stamp Program and its vulnerability to fraud and abuse. During this reporting period, the Inspector General testified before the House Committee on Agriculture, detailing changes we believe are necessary to combat trafficking in food stamps and other illegal activities associated with the program. Of primary interest to OIG are "marginal" retailers—those who participate in the program not to serve a needy clientele but only to illegally buy and sell food stamps. These retailers often operate gas stations, liquor stores, carry-outs or other concerns that sell little, if any, food.



The owner of this drive-thru in Texas was caught trafficking in food stamps. OIG is concerned about "marginal stores" such as this. OIG photo.



The owner of a convenience store was caught trafficking in food stamps. In his refrigerator, OIG agents found cash and food stamps, but no food. OIG photo.

In our testimony, we stated our view that "participation as an FCS-authorized retailer should be regarded as a privilege and not a right," and we recommended that retailer eligibility criteria exclude "marginal" stores. We also recommended several legislative or administrative changes to ensure the legitimacy of retail applicants seeking to participate in the program.

- Store owner applicants should be required to submit a general business license or certificate of incorporation and a copy of their latest Federal income tax return.
- Stores should either have been in business 1 year before applying for authorization, or be required to post a surety bond.
- Stores should be reauthorized every 1 to 2 years.
- Stores should be charged a fee to participate in the program.

- Felony violators of the Food Stamp Act should be made to forfeit all profits from their criminal activities, not just the assets exchanged during the crime.
- Stores disqualified from the Food Stamp Program should be automatically disqualified from the Special Supplemental Food Program for Women, Infants and Children (WIC) and vice versa.
- Stores found to be trafficking in food stamps should be immediately suspended from the program.

Several of our recommendations, including forfeiture of profits, have already been included in a legislative proposal before Congress.

We provide more information about our work in the Food Stamp Program on pages 18-25 of this report.

### **Farm Payment Limits**

Also during our budget hearing, we testified that abuse of the payment limitation provisions of deficiency programs will continue unless legislative changes are made to eliminate payments to "shell" entities. Deficiency payments may not exceed \$50,000 for each person or entity (partnership, corporation, etc.) contributing to the operation, but existing legislation allows individuals to form entities whose only purpose is to earn additional payments for the individuals. We call these entities "shell" entities because they do not risk any loss in the farming operation.

Program officials are attempting to amend payment limitation rules to control abuses of payment limitation requirements, but the use of "shell" entities to evade the limit can be addressed only by legislation. One change we have suggested is to allow payments only to individuals, not to entities. We believe Congress should consider it.

We provide additional information about abuses of payment limitation requirements on pages 11-12 of this report.

### **Animal Welfare Act Enforcement**

We recommended that Department officials seek greater authority in administering the Animal Welfare Act. Under current law, the Department may not revoke licenses to animal dealers, breeders or research

facilities who have been found repeatedly violating the act. The Department also needs authority to enforce monetary penalties assessed against violators. Current penalties are small and may be assessed only if the violator agrees to pay them. The Department agreed to seek broader authority through an amendment to the act. (See page 34 of this report for additional details.)

### **Cotton and Rice Marketing Loan Incentives**

In testimony before the House Appropriations Committee, Subcommittee on Agriculture, we supported a statutory change to correct a disparity in the Department's marketing loan programs. Under current law, cotton and rice producers are allowed to collect much higher marketing loan incentives than other producers because the cotton and rice incentives are based on world prices, not domestic prices.

Producers seeking Federal price support place their crops under Government loan. When the crop price is above the loan rate, producers pay off the loan to sell the crop; when the crop price is below the loan rate, producers may forfeit the crop and keep the loan funds. The loan rate is thus a guaranteed price to the producer regardless of market prices. To encourage producers to pay off their loans and prevent crop forfeitures, the Government offers a discount on loan repayment or an alternative direct payment when crop prices are below the loan rates. Producers may pay off their loans at the lower crop price and keep the difference. Because world prices are usually below the loan rates and domestic prices almost always above them, cotton and rice producers receive larger and more frequent marketing loan incentives than other producers seeking price support.

Figures 1 and 2 illustrate the trends in domestic prices and in world prices for the 36 months ended August 31, 1994. Marketing loan incentives were available whenever the adjusted world price was below the loan rate, as shown in the charts. We concluded that no incentives were needed when domestic prices exceeded the loan rates.

Our audit, which was summarized in our previous semiannual report to Congress, noted that about 95 percent of the \$1.2 billion paid to cotton and rice producers was not needed to encourage the producers to pay off their loans. While current law will allow domestic prices to be used for cotton, it will not allow

Figure 1

**Cotton Values**  
September 1991-August 1994

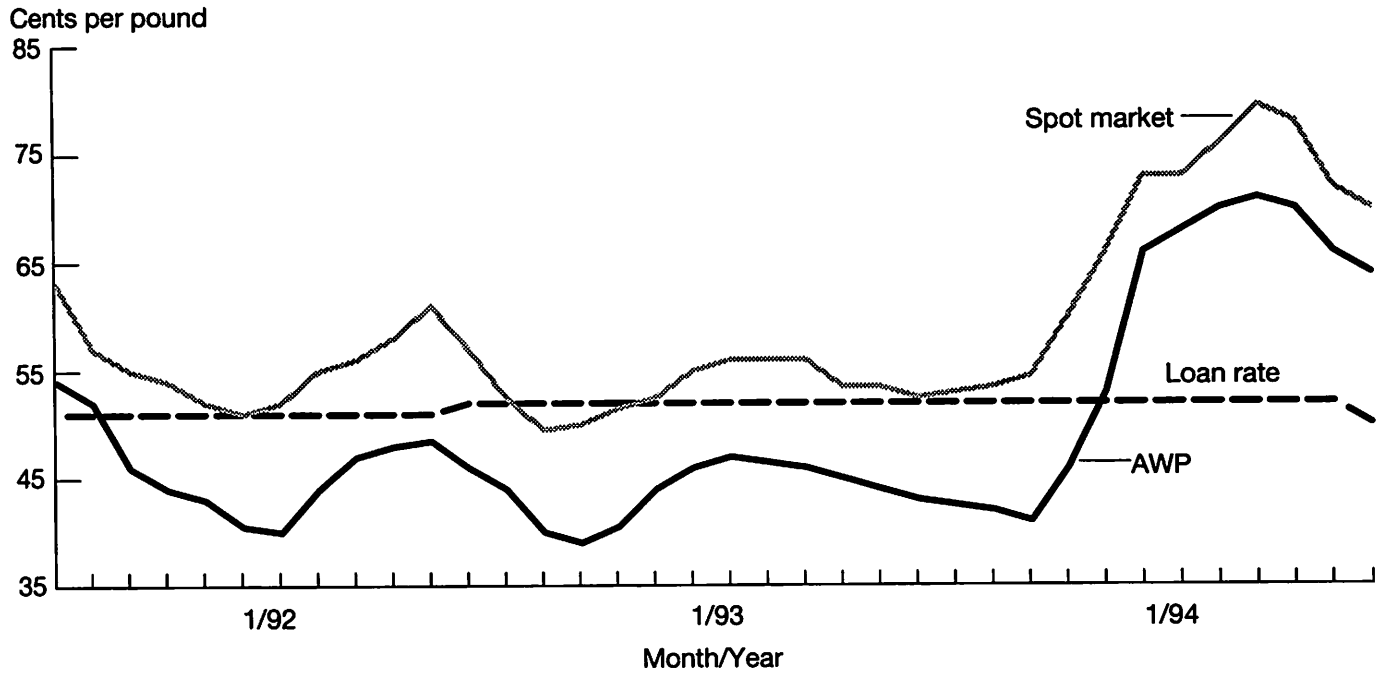
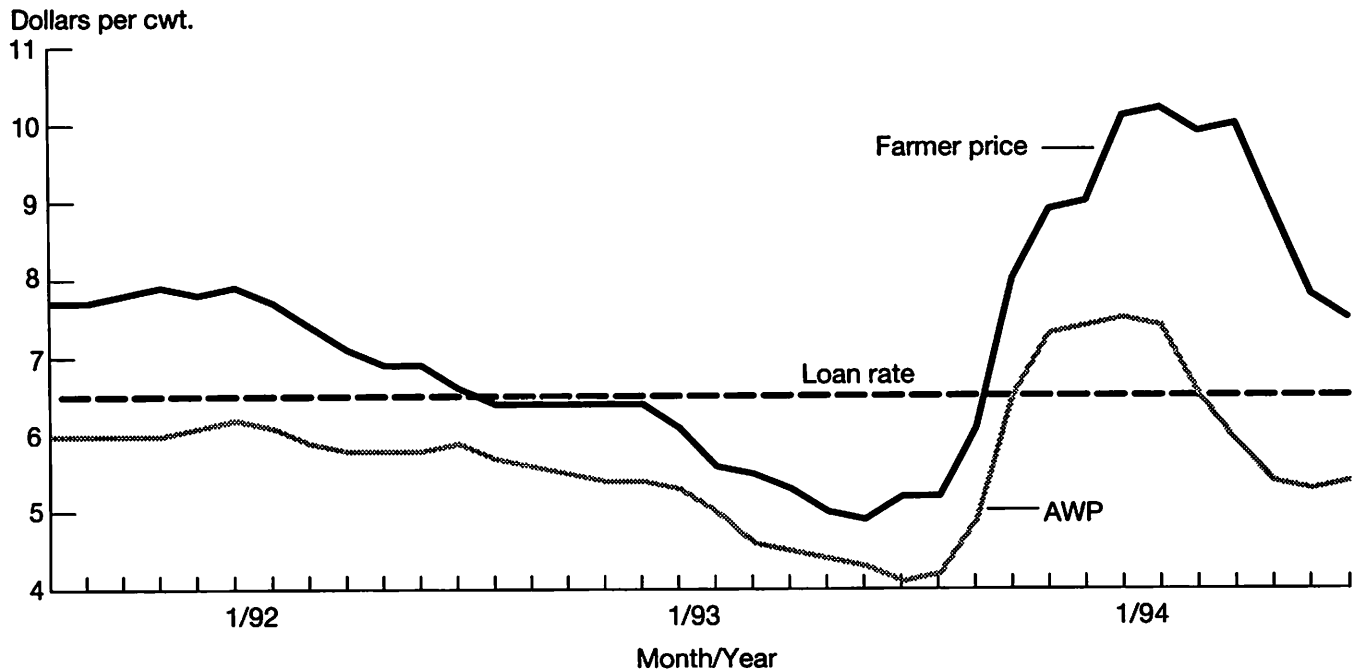


Figure 2

**Rice Values**  
September 1991-August 1994



their use for rice. We recommended a legislative initiative to make this change, and the Department agreed to consider including it in its proposals for the 1995 farm bill.

#### **Food Aid Program (Title I, P.L. 480)**

We suggested that Foreign Agricultural Service officials seek to exempt commodities shipped under Title I, Public Law 480, from the cargo preference requirements mandated by the 1954 Cargo Preference Act. That act and the subsequent 1985 farm bill require that 75 percent of all Title I commodity exports be shipped by U.S. flag carriers. We found that this requirement both complicated the program's administration and raised its costs. Agency officials agreed to consider this issue as they prepare legislative proposals for the 1995 farm bill. They will also seek to consolidate all food aid programs under one authority, including those mandated for the Title I program. We support this consolidation. (See page 17 of this report for additional details.)

#### **90-Day Rule for Farm Payments**

We recommended to officials of the Consolidated Farm Service Agency that they seek legislative change to rescind the 90-day rule that allows farmers to keep unearned Government benefits if those benefits were issued as a result of Government error and repayment had not been requested within 90 days. The agency indicated it would consider our recommendation in the Department's legislative proposals for the 1995 farm bill. (See page 10 of this report for additional details.)

#### **"Invisible Debt"**

As a result of our participation in a governmentwide audit coordinated by the President's Council on Integrity and Efficiency, we identified an opportunity for increased collections through management of "invisible debt." This debt refers to guaranteed loans that are not listed on agencies' financial statements as debt. Under existing legislation, the Department of Housing and Urban Development and the Department of Veterans' Affairs do not establish a debt against a borrower who defaults on a guaranteed loan. USDA establishes this type of debt, but does not follow up on it. Office of Management and Budget officials committed themselves to using our report to support their request for further improvements in credit management. (See page 44 of this report for further details.)

#### **Disaster Assistance**

In a previous audit of abuse in the 1993 Disaster Assistance Program, we had recommended that Department officials ask Congress to revise the way in which crop loss payments are calculated. Under 1993 legislation, payments were based on the market value of the crops, whether or not they were harvested. Most of the flagrant cases of abuse we found involved producers who avoided harvest costs. For 1994, Congress gave the Department authority to establish a basic rate for crops carried through to harvest and a lesser rate for crops not harvested. We believe that this change and several procedural improvements the Department made will have a significant effect on the integrity of the disaster programs. (See pages 9-10 of this report for additional details.)

# Farm and Foreign Agricultural Services

## Consolidated Farm Service Agency (CFSA)

CFSA administers domestic commodity price and income support programs; crop insurance and other risk management programs; farm ownership, operating, emergency, and disaster loan programs; and certain conservation programs such as the Conservation Reserve Program. These programs had previously been administered by the Agricultural Stabilization and Conservation Service, the Federal Crop Insurance Corporation, or the Farmers Home Administration. Financing for the CFSA domestic commodity programs comes through the Commodity Credit Corporation (CCC), a Government corporation.

For fiscal year 1995, CFSA estimates expenditures of \$2 billion for conservation programs, \$1.8 billion for the crop insurance program, \$167 million for farm credit programs, and \$1 billion for salaries and expenses. CCC funds all other program operations, with estimated outlays of \$19 billion.

### Audits of Abuse of 1993 Disaster Program Result in Legislative Improvements

In our prior semiannual report to Congress, we reported problems we identified during an audit of the 1993 Disaster Assistance Program. We completed audits in 15 States and to date, have questioned over \$7.4 million in payments. We reported our early findings so Congress could consider them as it developed the ad hoc program for 1994 and the Noninsurance Crop Assistance Program for future years. As a result, Congress made several legislative changes which CFSA staff incorporated into its administrative procedures to help prevent recurrence of the kinds of problems we identified in 1993.

- *For 1994, Congress gave CFSA the authority to establish a basic rate for crops carried through to harvest and lesser rates for crops not planted or harvested. Previously, payment rates did not reflect producers' farming practices. We found numerous cases in which producers invested less in the crops than they received in disaster benefits, largely because they did not harvest the crops. For example, three producers who received over \$165,000 in disaster payments left tomatoes in the field because harvesting costs were greater than market*

prices. The payments were not reduced for unharvested production because legislation required disaster payments to be based on market value whether or not the crop was harvested.

- *Producers are now required to provide evidence that nonprogram crops, such as fruits and vegetables, are produced on the farm and have a market. Producers are also required to document their farming practices and furnish copies of their contracts with canneries. CFSA will assign production for losses not caused by disaster and for payments under contract guarantees. Previously, production yields were not adjusted for poor farming practices and for payments guaranteed by contract. Producers in four States received disaster assistance even though they did not follow recommended farming practices. For example, producers in one Arkansas county, some of whom were county committee members, received over \$1 million even though they did not irrigate their crops and did not have commercial markets for them.*

Producers in three States were overpaid because disaster assistance was not reduced for payment guarantees they received from canneries or packing houses. For example, a Minnesota producer was guaranteed \$160 per acre for producing green peas for a cannery. Thus, the cannery and the producer shared the risk of loss. The producer was not entitled to over \$8,000 in disaster payments.

- *Producers requesting disaster payments must now report all cropland and all crops. If the acreage report is filed after the crop is gone, the producer must provide evidence, such as seed receipts, that the crop was planted and cared for and that the acres were accurate. Previously, producers certified acres improperly. In one Alabama county, six producers claimed losses on acres that were never planted or that were planted by someone else, and received over \$120,000 in disaster benefits. When a disaster is approved after the fact, it is often difficult to determine the correct acreage, especially when evidence of the crop no longer exists.*
- *County committees are now required to identify producers they know whose records show they are not likely to have exceeded the \$2 million limit; all others must prove they did not exceed the limit. Previously, gross income limitations were exceeded.*

Five producers were overpaid about \$160,000 because they incorrectly certified that their gross incomes the year before the disaster did not exceed the \$2 million limit.

- *CFSA staff must now verify with the Federal Crop Insurance Corporation that producers with insurable crops are properly insured.* Previously, required crop insurance was not always purchased. Although our audits primarily covered crops for which insurance usually is not available, we did find five producers whose crops should have been insured but were not. These producers were not eligible for almost \$100,000 in disaster payments.
- *CFSA has strengthened procedures by requiring that production claims be verifiable, and that good faith be determined in cases where there is evidence of underreporting. If CFSA cannot arrive at a good faith determination, the producer will be ineligible for disaster payments. If CFSA determines a producer misrepresented any fact affecting a program determination, the producer must refund all disaster payments on all farms, plus interest.* Previously, penalties to deter fraud and abuse were inadequate. In most cases, a producer who misrepresented information could lose no more than the payments he or she was not entitled to in the first place. Our audits identified producers in 10 States who received over \$1.7 million in disaster payments by certifying to less production than we verified they produced. Several other farmers obtained over \$1 million in unearned benefits because they exceeded the \$100,000 per person payment limit by misrepresenting their operations.

The above actions should improve administration of the 1994 Disaster Assistance Program and reduce fraud and abuse. However, OIG and CFSA staff will continue to perform field reviews of the 1994 ad hoc disaster program to ensure that the new provisions are being properly administered and to determine whether additional controls are needed.

### **90-Day Rule Results in Unearned Benefits for Producers**

The Food, Agriculture, Conservation, and Trade Act of 1990 provides that in the absence of misrepresentation on the part of a producer, any determination CFSA makes regarding that producer's participation in farm programs shall be final after 90 days, and no action shall be taken to recover overpayments. This 90-day rule applies to erroneous decisions, calculation errors, or overpayments discovered on or after November 28, 1990.

CFSA records show that as of January 31, 1994, producers had received over \$2 million in unearned benefits due to application of the 90-day rule. These kinds of unearned payments are expected to continue.

The 90-day rule was enacted to alleviate the financial hardship a farm could suffer if CFSA staff made a mistake that affected the farm's payment limit. Congress' concern was that if the mistake occurred several years before an audit found it, the total amount of overpayments could become very large, and demands for repayment could threaten the solvency of the operation. We found, however, that overpayments found during audits of the payment limit were generally the result of producer schemes to evade the limit, in which case the 90-day rule would not apply. We also found that most overpayments found during other audits were the result of producer underreporting of production, crop shares, and gross income, in which case the 90-day rule would also not apply. Those cases that are valid under the 90-day rule generally involve only small amounts, whose repayment would not place an unreasonable burden on producers. Furthermore, CFSA has authority to grant relief to producers, if conditions warrant.

We question the reasonableness of a rule that allows producers to keep unearned benefits. The rule only adds to CFSA's administrative tasks.

We recommended that CFSA officials seek a legislative change to rescind the 90-day rule. In response, they indicated that they would consider this issue in discussions on proposals for the 1995 farm bill.

## **Producers Continue To Evade Payment Limits**

Most farm program payments are limited by law. For example, disaster payments are limited to \$100,000 annually for each contributor to the farming operation, and wool and mohair price support payments are limited according to the year of participation (\$200,000 for 1991, \$175,000 for 1992, and \$150,000 for 1993).

During this period, we continued to question cases in which producers received payments in excess of program payment limits. We reported payment limit violations in excess of \$1 million in disaster payments and over \$300,000 in wool and mohair payments.

- In Missouri, a father and two sons each received \$100,000 in disaster payments even though they did not operate independently of each other. The father purchased a sod farm in July 1993, but a few weeks later, after a summer flood damaged the property, claimed his sons were the operators and applied for disaster payments accordingly. We determined that the sons did not have an ownership interest in the land at the time of loss, did not own equipment, and did not have sufficient capital to run the business.
- In Arkansas, two producers exceeded the disaster program payment limit of \$100,000 per "person" after they improperly claimed to operate independently of each other. The two producers intentionally misrepresented their individual contributions of land and equipment to the farming operation and failed to maintain separate bank accounts, as required by regulation. The producers' entire payments of \$150,000 are subject to refund if the producers are found to have used a device to evade the payment limit.
- In Arkansas, a State committee member and four other producers claimed to be five separate operations for disaster payment purposes, when, in fact, they were members of a family that had formed a joint operation, but each member was not receiving a commensurate share. Using disaster year income tax records, we computed each member's share of the operation and determined that jointly they exceeded the payment limit by \$76,000. However, the entire \$500,000 is subject to recovery if the operation's members are found to have used a device to evade the payment limit.

- In California, we found that a corporation, wholly owned by three minors, was erroneously determined to be "actively engaged in farming" and was given wool payments from 1991 to 1993. For this 3-year period, the county committee did not properly apply the rules governing active engagement in farming. In addition, for 1991, the three minors and their parents did not properly report their family relationships and their farming interests. The family received excessive wool program payments of over \$300,000.

We are working with CFSA officials to resolve these issues.

## **Revised Procedures Weaken Controls Over Payment Limits**

The 1994 revisions to CFSA's handbook procedures weaken controls over payment limitation provisions. Under the revised procedures, producers may receive Government payments before they make any significant contributions to the farming operation or put their contributions at risk. These changes, made outside the regulatory process, permit producers to create additional entities (corporations, etc.) without paying their land and equipment leases until after the Government payments have been made.

We recommended that CFSA rescind its revised procedures and develop new ones for crop year 1995 which better reflect legislative intent. The agency should require the producer to make a significant contribution before harvesting, especially when the producer leases land or equipment from someone who already has an interest in the farming operation.

Agency officials are proposing changes to payment limitation regulations for 1995, including a stricter definition of "significant contribution". We are continuing to work with them on this issue.

## **Fictitious Partnership Used To Evade Payment Limit**

A Montana farmer, his wife, and a fictitious partnership they formed were each found guilty of mail fraud and of making false statements in a scheme to evade the payment limit. During the crop years covered by our investigation, the producers and the "partnership" received about \$1.4 million in total payments through the scheme. The farmer was sentenced to 15 months in prison, and his wife was sentenced to 10 months' home confinement. They were also fined \$340,000.

### Couple Creates Scheme to Defraud CFSA Programs

In Washington State, a producer pled guilty after he, his wife, and six corporations and trusts that they controlled were indicted for conspiracy, false statements, mail fraud, obstruction of justice, witness tampering, and aiding and abetting in connection with their abuse of three CFSA programs. The producers had created two companies in order to conceal their own financial and managerial control of five farming entities and obtain payments in excess of the \$50,000 payment limit set for the deficiency payment program. They were charged with using similar devices to defraud the Grain Reserve Loan Program and the Agricultural Conservation Program. The indictment also alleged that the husband paid a Government witness \$4,500 to give false testimony.

The husband pled guilty to mail fraud and making false statements, and his wife entered a pre-trial diversion program. The couple has repaid over \$520,000 obtained through the scheme. Sentencing is pending. Charges against the corporations and trusts were dismissed.

### Improvements Needed in Farm Reconstitution Provisions

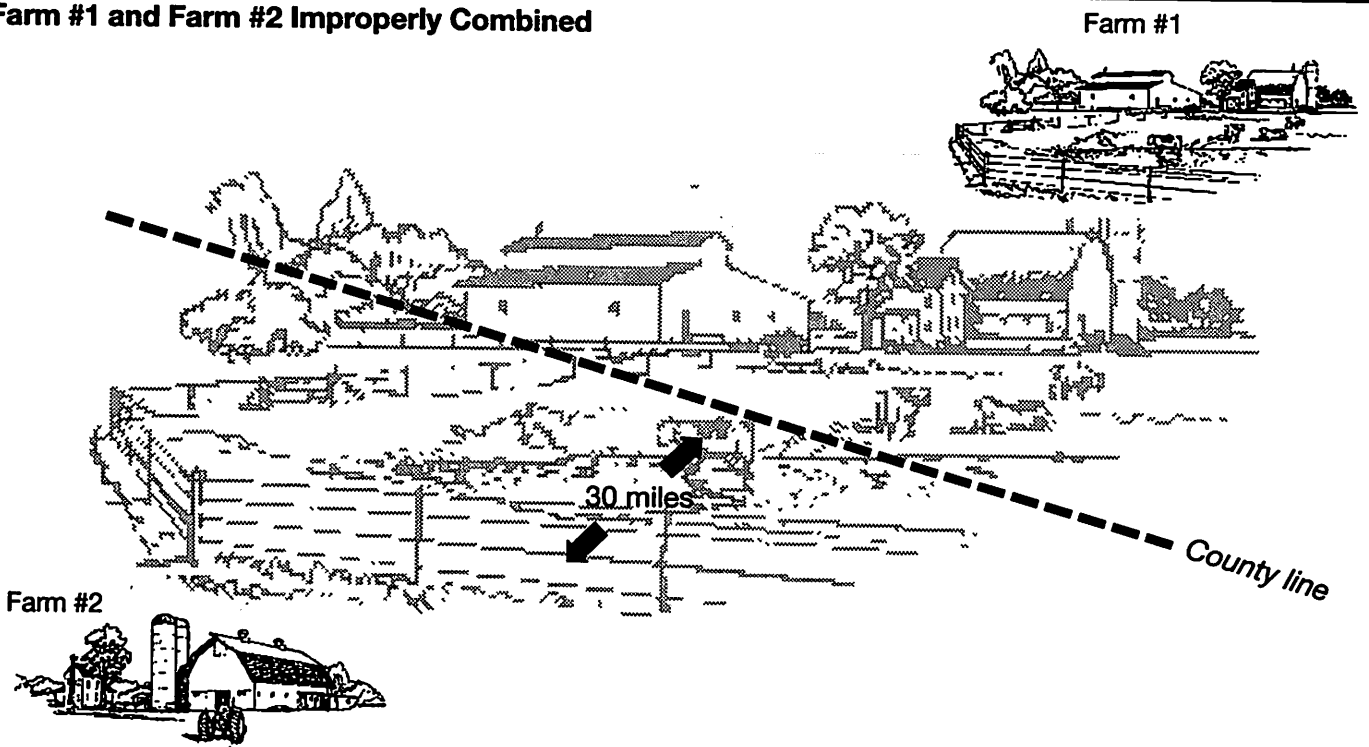
Farm reconstitutions occur when two or more farms or parts of farms (tracts) join into one farm or when one farm splits into tracts. In the 4 years prior to 1993, the number of farm reconstitutions ranged from 171,000 per year to 208,000 per year.

Program procedures require that tracts of land located in the same county (or at least no more than 20 miles from the adjoining county line) be combined. Our review disclosed that tracts located in different counties were improperly combined. We also identified a California corporation that appeared to use reconstitution to avoid payment limitation requirements.

We were unable to determine the extent of the reconstitution problem because county office personnel input incorrect State and county codes into the CFSA automated data we used. We recommended that CFSA require county office staff to help them correct the data. We also recommended that CFSA staff determine if the corporation used a reconstitution to avoid the payment

Figure 3

### Farm #1 and Farm #2 Improperly Combined





limit and recover excess benefits, if any were paid. Program officials agreed with our recommendations and are taking corrective action.

### **Farmer Claims Acreage Reduction on Other People's Land**

A farmer in New York pled guilty to falsifying documents in order to receive \$24,000 in acreage reduction payments from CFSA. The Acreage Reduction Program is designed to stabilize prices by avoiding cultivation of excess crops. The farmer was being paid not to grow crops on land in the area of his farm, but he claimed about 50 uncultivated acres that belonged to neighboring property owners, alleging that he either owned the land or had the right to farm it.

This farmer had previously been investigated by OIG for conspiracy to embezzle money from the Government and had been given a 6-month suspended sentence, fined \$1,000, and placed on probation for 1 year. In the current case, he was sentenced to 16 months in prison, fined \$400, and ordered to pay over \$19,000 in restitution.

### **Elevator Operators Receive Unearned Storage Payments and Unjust Enrichment**

A grain firm in North Dakota and two of its officers pled guilty to making false statements on invoices submitted to CCC for payment of grain storage charges. (CCC pays the cost of storing grain that reverts to Government inventories when producers forfeit their CCC loan collateral.) Our joint investigation with CCC warehouse examiners revealed that the firm received over \$22,000 in unearned storage payments. We also found that the firm received nearly \$278,000 in unjust enrichment through the illegal sale of 1.2 million bushels of Government grain. "Unjust enrichment" occurs when a facility sells CCC-owned grain and later replaces it with grain at a lesser cost. CCC warehouse examiners aided in the investigation by using a new computer program, developed by the Kansas City Commodity Office, that detects instances of unjust enrichment.

The firm was placed on 2 years' probation and fined \$255,500. The officers, a husband and wife, were each placed on probation for 1 year and fined \$1,000. They and the firm were jointly ordered to pay \$3,500 in restitution. Debarment actions are pending.

### **Grain Elevator Manager Embezzles Funds**

As a result of a joint investigation with State authorities, the manager of a grain elevator in Iowa pled guilty in Federal court to conspiring with nine area farmers to embezzle about \$445,000 from the elevator. The manager created false weight tickets so he could issue fraudulent checks on the elevator account. The farmers cashed the checks and split the proceeds with the elevator manager. Although no Government funds were involved, the embezzlement was a violation of the Uniform Grain Storage Agreement which makes it a Federal crime to misuse weight tickets and receipts. USDA inspectors relied on the falsified records when conducting their inspections. The manager agreed to make full restitution.

### **Cooperative Pleads Guilty To Selling CCC-Owned Grain**

A grain storage cooperative in Washington State and its general manager are awaiting sentencing after they pled guilty to submitting false statements to CCC. Over a 3-year period, the cooperative illegally sold more than 900,000 bushels of CCC-owned wheat that it was being paid to store. As a result, the cooperative received almost \$500,000 in unearned profits and storage fees.

In a settlement agreement with CCC, the cooperative agreed to pay \$300,000 in restitution to CCC and not to employ the general manager in any capacity without approval from CCC. Sentencing is pending.

A CFSA warehouse examiner assisted OIG in this investigation.

### **Grazing Associations Should Refinance Their Loans With Private Lenders**

The Consolidated Farmers Home Administration Act of 1961 authorized USDA to make low-interest loans for shift-in-use land projects. One of the objectives of the act was to take fragile cropland out of production and convert it to pasture. Grazing associations received loans to buy the cropland and manage it for their members' use. The program was discontinued in 1991, and today there are about 150 remaining borrowers with loan balances totaling \$30 million. To ensure that the Government does not compete with commercial lenders, USDA requires these borrowers to graduate to commercial credit when they are able to do so.

We noted that USDA field offices in one State had not aggressively pursued graduation for three of the six grazing association borrowers located there. The borrowers were not asked to graduate because they had unstable membership and complained of difficulty in finding a lender that would refinance association loans. However, lenders we contacted were interested in refinancing the three associations. These borrowers, whose loans total over \$181,000, have substantial equity in the property. We believe they could obtain commercial credit.

In another State, documents of one association showed its members were no longer operating as an association. One member had considered paying off his portion of the debt but did not do so in order to allow the other members to retain the 5-percent loan. USDA field office staff believed that commercial credit would not be available but a local lender said that it would be as long as the association had sufficient equity and repayment ability.

We recommended that the borrowers be required to refinance the loans with commercial credit.

State officials said that one borrower paid in full and the other two borrowers were not successful in graduating their loans to commercial credit. The grazing association in the second State offered to pay one-third of the debt and accelerate repayment on the remaining debt.

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

### **Farmers Submit False Claims During Disaster Years**

During disaster years, farmers can claim both a disaster loss through CFSA and a crop insurance loss through FCIC. False information provided to one agency may be used by the other agency in computing payments. Three examples of multiple fraud appeared this period in Texas and Kentucky.

- A farmer in Texas was imprisoned for 15 months and ordered to repay FCIC \$195,000 for filing false crop loss claims. Our investigation showed the farmer filed about \$300,000 in false claims for both indemnities and disaster payments on his 1989 and 1990 cotton, corn, and grain sorghum crops. The farmer pled guilty to charges of mail fraud and filing false claims to both CFSA and FCIC. CFSA staff previously recovered the disaster payments.

- A farmer in Kentucky pled guilty to mail fraud charges in connection with his crop loss claims. The farmer sold 1988 and 1990 corn and soybeans under a fictitious name and did not report the sales to FCIC and CFSA. He and his landlord received \$77,000 in indemnity and disaster payments for the 2 years of claims. By concealing the sales, the farmer also obtained a \$183,000 reduction in his farm debt under the net recovery buyout program. He was sentenced to 5 months in prison, fined \$3,000, and ordered to pay \$4,400 in restitution.
- Two brothers in Texas pled guilty to conspiring to defraud FCIC and CFSA by filing false claims. The brothers sold production under fictitious names and did not report the sales to FCIC or CFSA when they claimed crop losses in 1990 and 1991. Their insurance and disaster loss claims totaled \$297,000. They paid \$28,500 in restitution to the crop insurance companies and \$9,600 to CFSA. Both were fined \$2,000 and given 4 years' probation.

### **Unmonitored Loss Appraisals Result in Overpayments**

FCIC's loss adjustment process in Minnesota and South Dakota did not ensure that claims of 1993 corn losses in that region were valid. Adjusters working for contracted crop insurance companies appraised the corn losses, but FCIC had no provisions for a systematic evaluation of these appraisals. The process did not prevent overstated indemnity payments. Although our audit did not show that errors were common, our results in two counties showed the conditions under which abuses were likely to occur. We found significant errors in appraisals for 8 of 12 claims reviewed in one Minnesota county, and we identified an adjuster in South Dakota who submitted inaccurate appraisals for two policyholders 2 years in a row.

Appraisal errors were often unexplainable. For example, in December, an adjuster in Minnesota appraised a crop at zero yield; 4 months later, we found a yield of 43.9 bushels per acre on the same unit. Crops are generally expected to deteriorate when left in the field through the winter; consequently, we could find no reason for an increase in yield. Based on the production remaining in the field in April, we estimated the producer was paid an indemnity which exceeded the actual loss by about \$1,400.

We recommended that the agency develop effective controls over the appraisal process. We also recommended the reinsured companies refund the overpaid indemnities and adjust their data bases. Agency officials agreed.



“Check strips” clearly indicated harvestable production that was appraised by a reinsured company at zero yield. FCIC photo.



An auditor helps shell corn to determine estimated harvestable production. FCIC photo.

## Foreign Agricultural Service (FAS)

FAS' mission is to develop and expand foreign markets for U.S. food and agricultural products. FAS' general sales manager uses the funds and facilities of CCC to administer such programs as Export Credit Guarantees, the Title I, Public Law 480 Program (for sales of commodities to foreign countries); and the Food for Progress Program. The Under Secretary for Farm and Foreign Agricultural Services, as president of CCC, has overall responsibility for foreign market development and food aid programs. Fiscal, logistical, and commodity operations are carried out by CFSA employees. FAS' general sales manager, who is also a vice president of CCC, administers ocean transportation agreements, agreement negotiations, planning, and reporting.

USDA reorganized FAS in January of this year. The functions and staff of the former Office of International Cooperation and Development were transferred to FAS, and 182 FAS administrative positions were transferred to CFSA. An FAS planning, evaluation, and compliance unit was also established.

### **Alleged Misuse of Marketing Funds Not Substantiated**

OIG received an allegation that two former employees of U.S. Wheat Associates, a private organization participating in the Market Promotion Program, used USDA funds to operate a child adoption service. The Market Promotion Program is administered by FAS and funded by CCC to promote the sale of U.S. agricultural commodities in foreign markets. For 1992, FAS provided U.S. Wheat Associates with about \$192,000 in Market Promotion Program funds to open an office in Moscow, Russia.

Our review determined that former employees of U.S. Wheat Associates operated an adoption service as an outside activity. However, we did not find sufficient evidence that Government funds were used to subsidize the activity.

During our review, we also found that CCC paid \$35,000 in inappropriate expenses for vacant apartment and office space in Moscow. These spaces were left vacant for 6 months when one of the organization's employees broke her employment contract and returned to the United States.

We recommended that FAS recoup the \$35,000. We also recommended that FAS staff review and evaluate the provisions of its participant agreements to ensure that controls are in place and adequate guidance is provided to participant employees regarding outside employment and potential conflict of interest situations.

FAS officials generally agreed with our recommendations. The general provisions in the final Market Promotion Program rule, published February 1, 1995, adequately address our concerns. Additionally, training for participants is scheduled for May and June, 1995, to highlight examples of improprieties and provide guidance on these issues. We concurred with the justification FAS officials provided for not recovering the rental payment for the vacant apartment.

### **Broker Penalized \$1.9 Million for Falsifying Export Records**

A food broker in New Jersey was sentenced to 4 months in prison and ordered to pay \$1.9 million in fines, forfeitures, and restitution for his participation in export diversion schemes affecting the Sugar-Containing Product Reexport Program. This program allows U.S. manufacturers of sugar products to use low-cost foreign sugar to compete on the world market, while keeping that sugar out of the U.S. market. Under this program, the manufacturers may import foreign sugar to make a variety of products for export. Because the imported sugar is reexported, the sugar does not compete on the U.S. market. The manufacturers receive credits to their sugar licenses from FAS that permit them to import more sugar at the in-quota duty rate. When brokers buy the products manufactured under the program for export, the price reflects the lower-cost import sugar.

In this case, the food broker and others bought sugar products at the discounted price after claiming to the manufacturers that the products would be exported. However, most of the products had already been pre-sold to retailers and wholesalers in the United States. The participants in the scheme pocketed the difference between the discounted price fraudulently obtained from the manufacturers and the higher price the goods commanded on the U.S. market.

Besides affecting the domestic sugar market, the scheme abused the reexport program because FAS

granted import credits to one of the manufacturers who relied on the broker's false shipping documents. As a result of the investigation, FAS officials have had to revoke over 6 million pounds' worth of sugar license credits valued at about \$618,000.

Additional participants in this export scheme have been identified, and the investigation is continuing. It is being conducted jointly with the U.S. Customs Service and the Food and Drug Administration.

### **Food Aid Program Needs Clear Objectives and Exemptions From Cargo Laws**

Title I of the Agricultural Trade and Development and Assistance Act of 1954 provides for the sale of U.S. agricultural commodities to foreign countries at concessional rates of interest and repayment terms. CCC finances the export sales value of the commodities and pays transportation costs. The actual sales are made by private U.S. suppliers to foreign buyers.

FAS management asked OIG to evaluate the Title I program to gather suggestions for the Department's 1995 farm bill legislative proposal. We concluded that FAS' initiative to simplify administration of the Title I program is needed, but that it does not address one of the program's fundamental problems, namely its multiple and competing objectives. Currently, the program has five distinct objectives:

- to combat world hunger (through food aid),
- to expand international trade,
- to develop export markets for U.S. commodities,
- to promote agricultural development, and
- to encourage private enterprise in developing countries.

We support agency management in their efforts to consolidate all USDA food aid programs, including those in Title I, under a single legal authority. However, we also suggested that they more narrowly define Title I program objectives to limit the program only to expanding international trade and developing export markets. We believe administration of the program in its current form is unwieldy.

During our review, we also found that a substantial amount of program costs resulted from cargo preference requirements. In 1954, Congress enacted the

Cargo Preference Act to reserve a portion of U.S. Government cargo for U.S. flag vessels. The 1985 farm bill set the tonnage ratio for Title I food aid exports at 75 percent. FAS pays the difference between charges for U.S. flag vessels and non-U.S. flag vessels (called ocean freight differential).

We concluded that the cargo preference requirements significantly add to the cost of the program and diminish USDA's ability to develop foreign markets. They also complicate commodity availability and transport scheduling decisions; Title I participants have in many cases placed smaller orders and delayed purchases because of the cargo preference requirements. For the last 3 fiscal years, ocean freight differentials totaled \$131 million. USDA officials estimate it costs \$365,000 annually to administer the cargo preference requirements.

We suggested that FAS seek to exempt Title I shipments from cargo preference requirements, or to change the ocean freight differential to a direct maritime subsidy, funded and administered by the Department of Transportation. We also concluded FAS could reduce costs by consolidating the commodity and shipping procurement functions with CFSA, and by allowing participants to negotiate some shipping terms when procuring transportation.

FAS' general sales manager stated that our recommendations would be considered in USDA's legislative proposal.

# Food, Nutrition, and Consumer Services

## Food and Consumer Service (FCS)

FCS (formerly the Food and Nutrition Service) 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.

FCS funding levels for fiscal year 1995 total approximately \$38.7 billion. Three of FCS' programs are receiving the bulk of this funding: the Food Stamp Program (\$25.2 billion), the Child Nutrition Programs (\$8.2 billion), and the WIC Program (\$3.7 billion).

## Food Stamp Program (FSP)

As Congress considers welfare reform, national attention has focused on the FSP. During this reporting period, OIG offered testimony on the efficiency of the FSP in its current and future states, and on the vulnerability of its delivery systems to fraud, waste, and mismanagement.

Of prominent interest to legislators and program managers is the feasibility of the Electronic Benefits Transfer System, or EBT. This system, currently used statewide in Maryland and in selected locations elsewhere, replaces paper food stamps with an electronic card. The card accesses a computer which electronically debits an individual's food purchases from each monthly allotment of benefits. The system delivers benefits efficiently, and because it leaves a record of each transaction, identifying where the transaction occurred and whose card was used, it offers the capability to increase detection of trafficking.

FCS has been developing EBT for the past 10 years. The National Performance Review and the Federal EBT Task Force have recommended its use governmentwide to deliver a broad range of Federal benefits. Thus, the system's vulnerability to abuse is of vital importance not only to USDA but to the Government as a whole.



EBT and Smart Card technologies are changing the way benefit programs are delivered and monitored. OIG photo.

Our audit and investigative work in this area concentrated on evaluating FCS' implementation of EBT technology and on detecting cases of EBT trafficking.

## Discoveries of EBT Trafficking Show Potential for Success of System

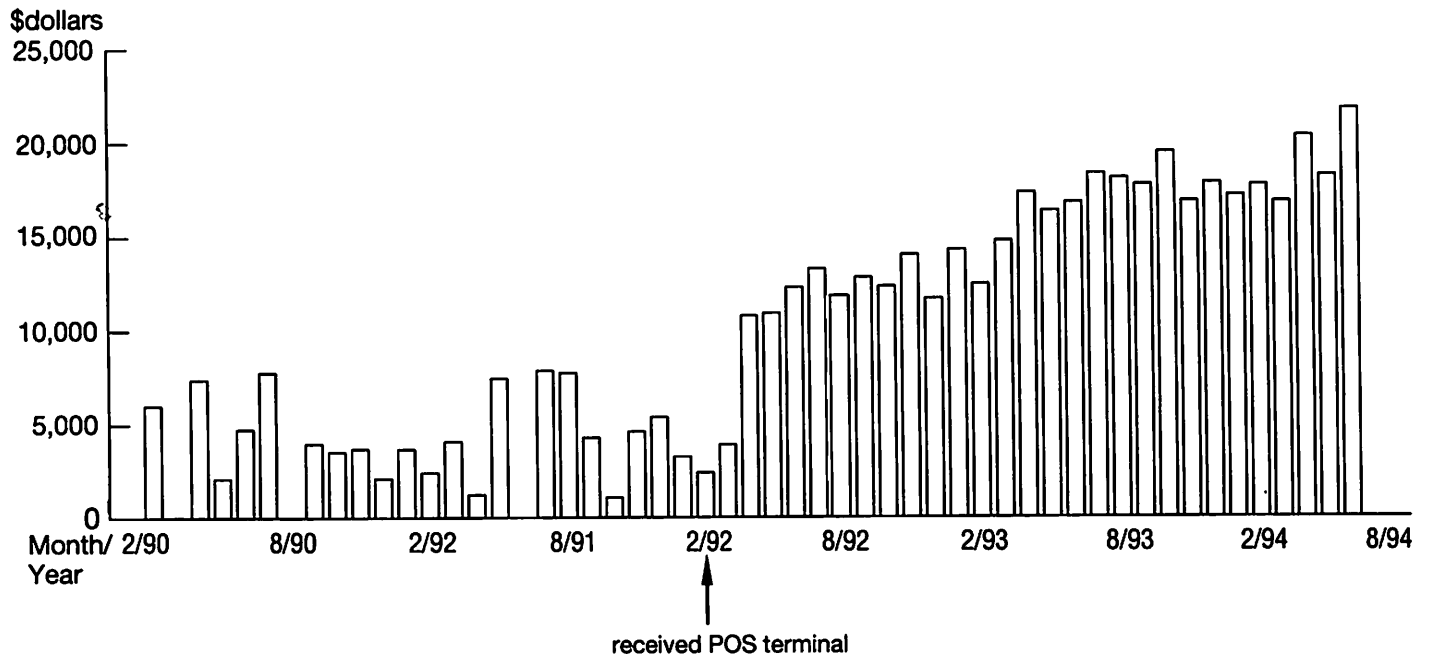
Several cases of trafficking in Maryland show that detection of fraud using the EBT system is possible. In Landover, for example, a seafood store's redemption of food benefits increased dramatically once an EBT terminal was installed. From February 1990 to February 1992, when the store accepted paper food stamps, it redeemed an average of \$4,000 in stamps per month; after the EBT terminal was installed in February 1992, its monthly average jumped to over \$14,000 in benefits (see Figure 4). The higher redemption continued through June 1994, when the store's owner and clerk were arrested by OIG and FBI agents for trafficking in electronic benefits. The clerk confirmed that he and the store owner started exchanging cash for food benefits when they got the EBT terminal.

Both the clerk and the store owner pled guilty to trafficking. The sentencing judge ruled that the store had fraudulently bought over \$200,000 in food stamp benefits over the past 2 years. The store owner was sentenced to over 1 year in jail and ordered to pay \$36,000 in restitution. The clerk is awaiting sentencing.

In a similar case in Baltimore, the increase in redemptions was even more dramatic, and the use of a paper trail as evidence of trafficking was even more complete. This grocery store had been redeeming an average of

Figure 4

**Store "A" Food Stamp/EBT Redemption**  
February 1990-August 1994



\$1,500 in paper food stamps each month until June 1992 when it installed an EBT terminal. At that point its redemptions jumped to a monthly average of \$34,000 and remained there through December 1993, when the store owner was arrested by OIG agents for trafficking (see Figure 5).

In this case, investigators executed a search warrant on the store and seized financial records and an index card file. The card file included a record of some of the food stamp recipients who sold their electronic benefits for cash. It gave the recipients' names and home addresses and, in many cases, had a receipt from the transaction attached. Other financial records showed that the store owner, in order to have cash on hand to buy the electronic benefits, made large cash withdrawals from the account into which funds were electronically deposited. The deposits and withdrawals occurred with obvious regularity (see Figure 6).

The store owner is awaiting sentencing.

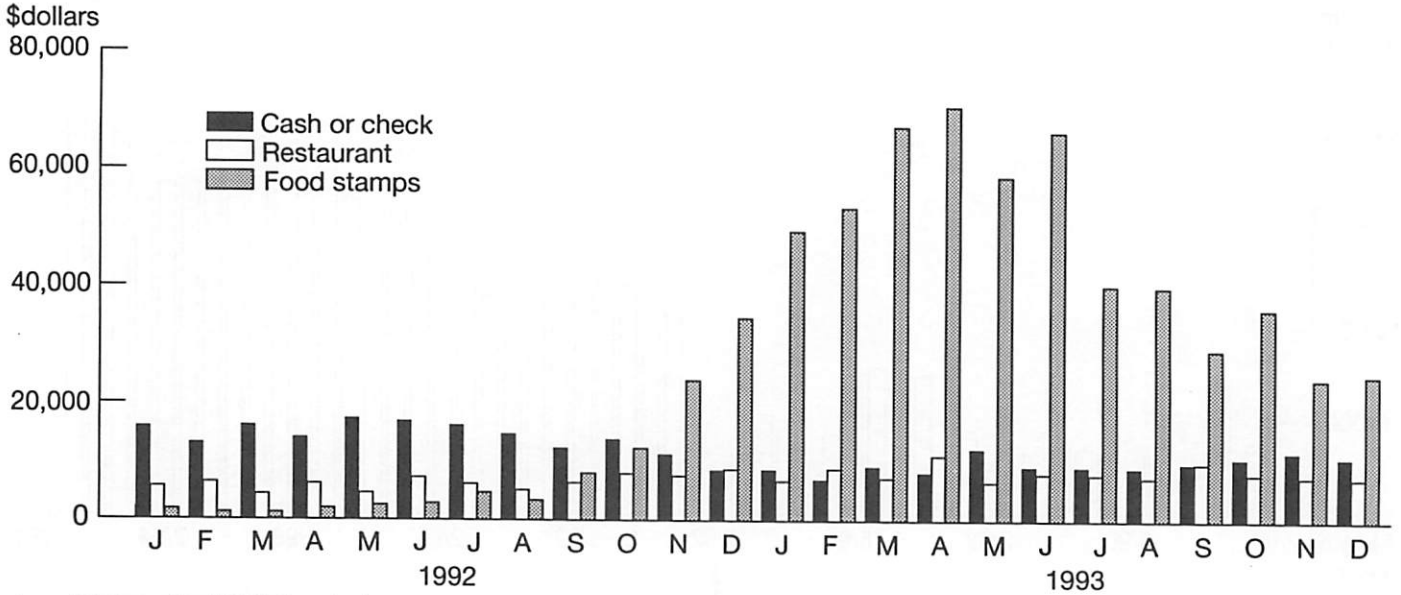
**Recipients Caught Trafficking in Electronic Benefits**

EBT technology also aids investigators in detecting FSP recipient fraud. Thirty-one food stamp recipients were charged in Maryland State court with felony theft for selling their food stamp benefits at three grocery stores in Baltimore. These recipients are among the first to be caught in Maryland through EBT monitoring and represent a fraction of more than 7,000 recipients who are suspected to have sold approximately \$2.1 million in electronic food stamp benefits over a period of 19 months.

Twenty-three of the recipients have already pled guilty and have been sentenced to probation, restitution, or community service. Two of the remaining recipients are awaiting trial, and six are fugitives. Over 290 other recipients, who were identified as trafficking at the stores, have been disqualified from the FSP for a period of 6 months by the Maryland State Department of Human Resources. More disqualifications are pending.

Figure 5

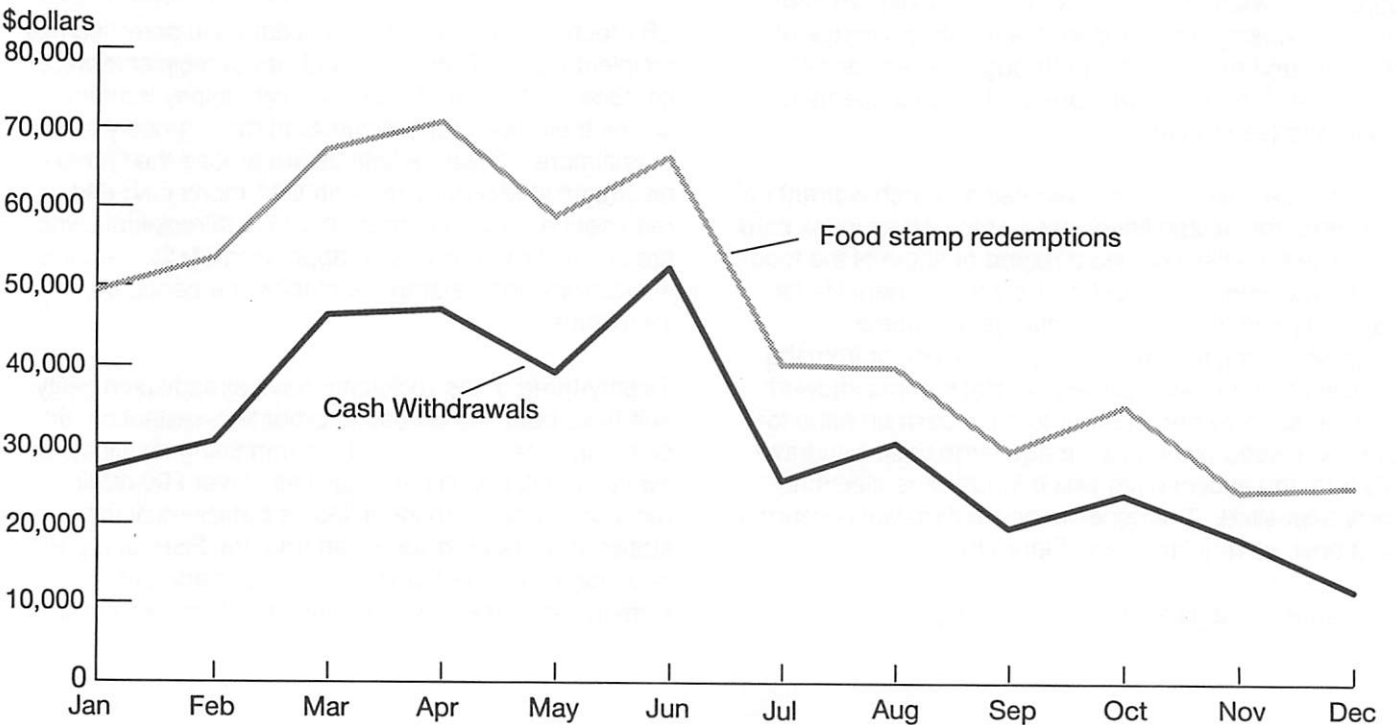
**Store B**  
1992-1993 Sales



June 1992 received POS terminal  
 Pre-POS food stamp redemptions avg. \$1,500/mo.  
 Post-POS food stamp redemptions avg. \$34,000/mo.

Figure 6

**Store B 1993 Food Stamp Redemptions and Cash Withdrawals**





### **Illegal Profits Used to Buy Cars and Jewelry**

The owner of a small grocery store in Baltimore, Maryland, and two family members pled guilty to Federal charges of trafficking in EBT benefits. Over a 14-month period, the family bought more than \$500,000 worth of EBT benefits from recipients at a rate of 60 cents on the dollar. They used this illegal profit to buy new cars, jewelry, and other goods. According to the plea agreements, the family must forfeit all of the items identified during the investigation as having been bought with illegal proceeds.

The owner of the store and two family members each received sentences of 1-1/2 years in Federal prison. A fourth family member, who agreed to plead guilty to State charges, is awaiting sentencing.

### **Sentences Handed Down for EBT Trafficking at Indoor Market**

In a case reported earlier, the owner of two grocery stalls at an indoor market in Baltimore, Maryland, has now pled guilty to defrauding the Government of more than \$1.2 million in paper food stamps and electronic benefits. The owner was sentenced to serve 3-1/2 years in Federal prison and forfeit his residence, three rental properties, a van, and \$10,000 in cash. Seven of his employees who previously pled guilty have been sentenced to prison terms ranging from 10 months to 2 years. An eighth employee was also found guilty of food stamp trafficking and was sentenced to 2-1/2 years in Federal prison.

### **State Employees Steal Food Stamps From Welfare Office**

The vulnerability of paper food stamps has been well documented from previous investigations. During this reporting period, OIG joined with Missouri State investigators and postal inspectors to nab two State welfare employees stealing food stamps from their office. Cameras hidden by agents captured the two thieves as they stole envelopes containing food stamps and cards authorizing participation in the FSP. Agents arrested the two and obtained confessions. A subsequent audit by the State determined that about \$7,400 in stamps had been embezzled over a 3-month period. Both employees were fired and ordered to pay \$4,200 in

restitution to USDA, and one was sentenced to serve 3 months in prison.

### **Restaurant Supplier Charged With \$3.5 Million in Food Stamp Fraud**

The two owners of a restaurant supply business in New York were charged with defrauding the FSP of \$3.5 million. Over a 3-year period, the business profited from food stamps through two different trafficking schemes. For part of the period, the business laundered \$1.8 million in illegally acquired food stamps through a large Brooklyn food wholesaler. When the wholesaler was convicted of food stamp fraud and had to close his business, the owners of the restaurant supply business fraudulently obtained their own authorization to participate in the FSP. The supply business then illegally redeemed an additional \$1.7 million in food stamps.

The two owners of the supply business have been indicted. One pled guilty; the second has not yet entered a plea. During the investigation, it was discovered that the supply business transferred about \$16 million over a 9-month period to banks in Hong Kong. This investigation was conducted jointly with the Internal Revenue Service.

### **Additional Arrests Made in \$40 Million Food Stamp Fraud Case**

We previously reported multiple arrests in New York in an investigation involving food stamp fraud and money laundering. To date, 55 people have been indicted, and 11 have pled guilty in the \$40 million case. Five who pled guilty have been sentenced and received prison terms ranging from 1-1/2 to 2 years. 42 firms have also been disqualified from participating in the FSP. A criminal complaint charged the defendants with obtaining food stamp authorizations for sham retail stores so they could launder millions of dollars in illegally obtained food stamps.

Since our previous report, 7 additional firms trafficking in food stamps were uncovered, and 14 individuals involved with those firms face indictment. The investigation was conducted jointly by agents from OIG, the IRS, the FBI, the U.S. Customs Service and other Federal, State, and local law enforcement agencies.

### **Georgia Mayor Sentenced for Food Stamp Fraud**

The mayor of Alamo, Georgia, was sentenced to 1-1/2 years in prison after he pled guilty to bank fraud. His plea was the result of an investigation into food stamp trafficking occurring in a grocery store the mayor owned. The mayor admitted paying cash for 70 percent of the \$832,000 in food stamps he redeemed over a 4-year period. As part of his plea agreement, he forfeited two vehicles and \$36,000 in cash. He also agreed to give up his position as mayor. OIG conducted this case jointly with the Secret Service and the Georgia Bureau of Investigation.

### **Grocers Admit to Multimillion Dollar Food Stamp and Tax Fraud**

As the result of investigations conducted jointly with the IRS in Cleveland, Ohio, two grocers pled guilty to illegally redeeming millions of dollars in food stamps and evading Federal taxes.

- In one case, the president of a grocery store pled guilty in Federal court to illegally redeeming a total of \$6.7 million in food stamps over a 22-month period. He admitted charging other store owners a fee of 3 to 4 percent of the food stamps' face value to illegally redeem food stamps which had been originally received by those stores. He also pled guilty to underreporting both his personal income and his corporation's income on Federal tax returns. Sentencing is pending.
- In the second case, a grocery store owner pled guilty to purchasing and illegally redeeming \$2.5 million in food stamps from June 1990 to June 1993. He also pled guilty to evading personal Federal income taxes of \$125,000 and underreporting corporate income by \$1.25 million. Sentencing is pending.

### **Store Owner Convicted of \$2.5 Million Food Stamp Fraud**

In Fort Wayne, Indiana, the owner of two grocery stores was convicted of food stamp trafficking and illegal food stamp redemption. Our investigation determined that between 1990 and 1994, the owner illegally redeemed approximately \$2.5 million more in food stamps than he had in total food sales. Sentencing is pending.

### **Grocer Sentenced in \$1.4 Million Fraud Case**

A grocery store owner in Atlanta, Georgia, admitted to fraudulently redeeming \$1.4 million in food stamps over a 3-year period. He bought food stamps for cash himself, and he redeemed food stamps for other traffickers, charging 15 percent of the value of the stamps. The store owner was sentenced to 4 months' confinement and 5 years' probation, and he was ordered to pay \$1.4 million in restitution. Related investigations are continuing.

### **California "Runners" Implicate Grocer**

In Sacramento, California, a grocer was sentenced to 18 months in Federal prison and ordered to pay \$70,000 in restitution after pleading guilty to charges of food stamp trafficking. OIG investigated the grocer as a result of another investigation into traffickers referred to as "runners." Runners solicit and buy food stamps from program recipients at food stamp distribution centers and deliver the stamps to retailers who pay a flat fee or a percentage of the value of the stamps. One of the runners admitted to trafficking his stamps with the grocer.

Six runners eventually pled guilty to trafficking and were sentenced to jail, probation, and fines. One runner, who had bought \$26,000 in food stamps for \$2,500 in cash and a BMW automobile, was ordered to forfeit the cash and car to the Government. The amount of the grocer's restitution was determined by comparing the store's actual food stamp redemptions with its reported food sales.

This investigation was conducted jointly with the IRS, the FBI and the Sacramento Department of Social Services.

### **Five Plead Guilty in \$700,000 Food Stamp Trafficking Scheme**

In Gary, Indiana, five individuals targeting food stamp recipients at a welfare issuance office were arrested and charged with food stamp trafficking. One of the individuals, operating as a mobile meat vendor authorized to accept food stamps, was also charged with conspiracy. The vendor redeemed over \$700,000 more in food stamps than his reported food sales for the year.

The remaining four acted as “runners” for the vendor, purchasing food stamps from recipients. The vendor pled guilty to illegal possession of food stamps and was sentenced to 18 months’ imprisonment. The four runners pled guilty to food stamp trafficking charges and were sentenced to probation.

### **Food Stamp Trafficking Crosses State Lines**

The owner of a Charleston, West Virginia, grocery store and two associates pled guilty to a food stamp trafficking scheme involving stores in West Virginia and Ohio. The Charleston store owner, with the help of his associates working in stores in Columbus and Warren, Ohio, bought over \$62,500 in food stamps from FSP participants, usually paying half the redeemable value. Sentencing in this case is pending.

### **Food Stamps Trafficked by Drug Dealers**

In many of the cases we investigate, food stamp trafficking can be traced to drug dealers or drug abusers. Three examples this reporting period occurred in Virginia, New York, and North Carolina.

- In Roanoke, Virginia, a mother and son were charged with trafficking in food stamps and distributing crack cocaine. During this investigation, the pair used cash and crack cocaine to buy food stamps from an undercover OIG agent. Both pled guilty and are awaiting sentencing. While free on bail, the son was arrested for distributing 3 ounces of crack cocaine. His bail was revoked.
- In New York, 24 people who operated various food businesses were charged with trafficking in food stamps they bought from drug abusers. The investigation began as a result of information furnished by local police, who found food stamps during raids on drug houses. The police reported that food stamp recipients were selling their stamps and using the cash to buy drugs. The food store owners bought the stamps at a discount, usually half the redeemable value.

The 24 defendants have pled guilty. This case was conducted jointly with the Albany Police Department and the U.S. Immigration and Naturalization Service.

- We previously reported that 16 people in Smithfield, North Carolina, were charged with trafficking in food stamps, conspiracy to distribute crack cocaine, and unlawful possession of firearms. The 83-count indictment resulted from a 2-year undercover investigation.

During this reporting period, 11 of the people charged were sentenced. Most received sentences of 5 years or longer in prison; one person was sentenced to life. Our investigation also led to the indictment and arrest of three more people associated with this rural drug ring. They were charged with the distribution of crack cocaine and the unlawful possession of a firearm while trafficking in drugs. The investigation is continuing.

### **Eighteen Arrested in Texas for Trafficking in Food Stamps**

With the help of other Federal, State, and local authorities, OIG ended a 7-month investigation into food stamp trafficking in Austin, Texas, with the arrest of 18 people. Seventeen of those arrested pled guilty; the last defendant went to trial and was convicted on 55 counts of food stamp fraud, theft, and money laundering. The investigation found this defendant trafficking in over \$200,000 in food stamps. He was sentenced to 7 years in prison and ordered to pay \$195,500 in restitution. The court also ordered him to forfeit an additional \$55,000 in property under the Money Laundering Control Act of 1986.

### **Prison Term Given to Repeat Offender**

An Arkansas grocer was sentenced to 2-1/2 years in prison by a Federal judge after being convicted of making false statements to conceal his illegal participation in the FSP. The grocer had been convicted of food stamp fraud on four previous occasions and had been barred from the program. By hiding his continued ownership of nine grocery stores, he continued to accept food stamps, even while serving probation on the earlier charges. Over the 27-month period that he remained undetected, the grocer illegally redeemed about \$286,000 in food stamps.

### **Virginia Store Owner Forges Redemption Certificates**

An investigation into food stamp trafficking at a small grocery store in Danville, Virginia, disclosed that the store owner had illegally deposited over \$300,000 in food stamps by forging the signature of the former store owner on the redemption certificates. The former owner was authorized to redeem food stamps; the current owner was not.

The defendant was sentenced to 4 years' probation and ordered to pay \$40,000 in restitution and a \$2,000 fine.

### **Current Resources Limit FCS' Ability To Verify All FSP Administrative Costs**

FCS reimburses States for a portion of the administrative costs incurred in the delivery of food stamps. We evaluated the administrative costs claimed by six States to determine if the costs were eligible for reimbursement and if FCS monitored the claims effectively. Our previous audit, issued in March 1990, reported that FCS needed to improve its reviews of States' claims. Since that audit, costs of administering the FSP have risen from \$1.1 billion in fiscal year 1988 to \$1.5 billion in fiscal year 1993.

Our current audit determined that FCS still cannot always detect ineligible or unsupported claims. We reviewed six State agencies and identified more than \$10.4 million in questionable reimbursements. Many of these reimbursements occurred because of the same problems identified during the prior audit.

The current funding mechanism for administrative costs in the FSP is also very cumbersome. Consequently, FCS and State agencies spend considerable time budgeting, reporting, and monitoring FSP costs instead of directly administering the program.

FCS staff have taken steps to improve in this area. In response to our 1990 audit, they attempted to develop an Expenditure Validation Review guide and to hire additional personnel to conduct more detailed evaluations of State operations. However, due to budgetary constraints, they were unable to complete these efforts, and have had to continue to monitor States' administrative costs with limited resources.

At the end of 1994, FCS distributed for comment a Financial Management Review (FMR) guide. This comprehensive, well written guide will provide a thorough review of administrative costs claimed by State agencies. We recommended that management continue to improve program oversight in the short term by implementing the FMR guide and by establishing (1) a nationwide system to report, track, and disseminate FMR results to all FCS regions, and (2) a system to request OIG assistance whenever a more detailed review is needed. We also concluded that in the long term, FCS should consider alternative methods of funding administrative costs. The agency does not have the necessary resources to continue the cumbersome method of funding it now uses.

FCS officials agreed with the recommendations and have taken steps to improve its controls over States' claims for administrative costs.

### **Federal-State Cooperation Helps Disaster Recovery**

In the previous period, we reported the results of our review of the Emergency Food Program in three States. During this reporting period, we reviewed disaster operations in Texas.

In mid-October 1994, severe storms and flooding caused property damage, injury, and death in 37 east Texas counties. The flooding affected an estimated 30,000 households, some of which lost income from businesses that were damaged or closed. The State obtained waivers to FSP regulations in lieu of implementing the Emergency Food Stamp Program. The waivers permitted the State to provide relief by allowing households affected by the disaster to receive food stamps immediately.

Under the Texas disaster recovery program, households were given a 21-day period following the flood in which to apply for benefits. To be eligible, the households had to meet normal program income eligibility requirements, reside in the area authorized for disaster relief, and suffer a loss of income. However, in response to the State's request for assistance, FCS also approved waivers to households in the disaster area that would not otherwise qualify for food stamps.

Together with FCS and State program staff, we visited regional offices, food stamp offices, and disaster application centers. We found that the vast majority of households approved for food stamps during the disaster recovery were eligible and did not require a waiver. Those households that did require a waiver could be certified for up to 3 months only, and our observations showed that most were held to this period. If a household did not have all the required verification documents on hand when submitting its application, it was issued 1 month's benefits and placed on "hold" until it could produce the documents.

Working together, FCS and State staff were able to minimize program abuse and provide food stamp benefits to those disaster victims who truly needed them. They modified standard regulations to fit the conditions of the Texas disaster, but maintained income eligibility requirements and used regular food stamp offices to process applications, thus allowing checks for duplicate participation. They also limited media releases to avoid giving the public a misperception that there was a food stamp giveaway (as had occurred in past disasters). We concluded that program objectives were achieved.

### **New York City's FSP Certification Process Needs Significant Improvement**

During fiscal year 1992, New York City issued over \$1 billion in food stamps to about 551,000 households. The regulations require that each household be certified eligible for food stamps for a definite period of time, and that it receive no stamps beyond that time without a new determination of eligibility. We analyzed case file records to confirm that households were entitled to the benefits issued each month. We found that city staff continued to issue benefits to households whose certification periods had expired and that had not been redetermined as eligible. We statistically estimate that during fiscal year 1992, unauthorized issuances totaling over \$83.6 million were made. We also estimate that at least \$6.9 million was issued to households in excess of their potential entitlement had they been properly certified.

The unauthorized issuances occurred because New York State's computer system, which operates the FSP in New York City, lacked the controls required to ensure that only eligible households were provided

benefits. The computer system did not (1) contain the certification period start and end dates, (2) automatically terminate issuances when certification periods expired, and (3) reconcile the actual issuance to the amount for which each household was eligible.

City staff also could not readily locate documentation to support issuances to 10.1 percent of the households in its 1992 case files. Considering annual issuances exceed \$1 billion, this is a material control weakness which allows certification fraud to go undetected.

We recommended that FCS management require State staff to install the needed controls in its computer system, or initiate sanctions against the State. We also recommended that FCS recover the loss resulting from the unauthorized issuances and require New York City to implement a case file inventory system. FCS officials agreed that management controls are needed.

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

The WIC Program provides food and nutrition education to women, infants, and young children who are determined to be at nutritional risk. FCS pays for the food and education and reimburses States for administering the program through agreements with local agencies, such as county health departments and nonprofit organizations.

### **WIC Administrative Cost Overclaims Have Been Significantly Reduced**

During this reporting period, we continued monitoring WIC administrative costs. Audits in five States were conducted to determine if the problems reported during a 1991 nationwide audit had been corrected. The 1991 audit found that 10 States reviewed overclaimed \$7.2 million and that FCS staff had not adequately monitored the program.

Our current audit found about \$600,000 in questioned costs and potential savings. States continued to claim ineligible costs for personal services and equipment and charged yearend costs to the wrong fiscal year. Some State and local agencies did not have effective systems to allocate costs of health employees who work on multiple programs.

We are currently analyzing our findings to identify trends, evaluate controls, and develop recommendations for programwide improvement. This analysis will be included in a future report to FCS.

In the State reports, we recommended that States properly allocate costs and ensure the propriety of local agency cost claims. We also recommended that FCS improve its monitoring of program activities and recover the overclaimed costs.

FCS regional officials generally agreed with the recommendations and are initiating corrective actions.

### **Controls Over WIC Food Vouchers in 2 States Were Not Effective**

In Kansas and Nebraska, local clinics give WIC participants food vouchers each month, which the participants exchange for food at approved retail grocery stores. The program in these States is operated through an automated food delivery and management information system.

Our audit found that accountability for WIC food vouchers in these States was not sufficient to prevent improper payments. We reviewed both computer-generated and manually issued food vouchers from four local agencies and found that although controls over computer-generated food vouchers were generally sufficient, those over manually issued vouchers were not. Manually issued vouchers could be diverted to ineligible parties with little possibility of detection by the computer system controls. Exception listings were not used even though they showed manually issued vouchers with identification numbers that did not match participant identification numbers.

Control over the stock of manually issued vouchers was inadequate at the four local agencies visited. Three sites did not maintain inventory records, and one site was unable to identify who had custody of vouchers taken out of stock. Local agencies visited in Nebraska did not require participants who received duplicate benefits to pay anything back. Neither of the two local agencies visited in Kansas reported lost or stolen vouchers, as required by Federal regulations.

We recommended that the States establish a system to identify all vouchers not matching issuance records and to verify that the payments are correct. We also recommended that Nebraska require its local agencies to research redeemed vouchers that are reported lost or stolen and collect any duplicate benefits paid. Finally, we recommended that Kansas require its local agencies to report all lost or stolen vouchers so a "stop payment" order can be issued. FCS officials generally agreed.

## **Food Distribution Programs**

### **Commodity Processor Violated Contract**

Under the National Commodity Processing Program, FCS enters into contracts with commercial companies to process Government inventories of commodities into end products and sell those products to eligible recipient agencies. FCS officials requested an audit of one processor to determine if contract violations reported in previous years were still occurring.

Our audit focused on the processor's end product data schedules. These were used to record the quantities of donated commodity (butter oil) and other ingredients needed to yield a specific quantity of end product (ice cream). The schedules showed that the processor did not use enough butter oil in the ice cream to fulfill contract requirements. When reporting sales and drawing down more inventory, the processor recorded the larger, FCS-approved formulations, rather than the actual amount of commodity placed into production.

The processor also violated his contract by not verifying distributor sales. Without this verification, the processor could not demonstrate that the reported sales were made to recipient agencies and that those agencies received the required discounts.

The processor's contract violations dated back to the middle of 1991. We recommended that FCS recover the \$510,000 in donated butter oil delivered to the processor since that time. We also recommended that if FCS negotiates with the processor over this recovery amount, it require the processor to validate all sales.

## Child Nutrition Programs (CNP)

### School Districts Mismanage CNP Funds

We received complaints alleging mismanagement of the CNP in Wewoka, Oklahoma, Public Schools, and in the Bell County, Kentucky, School System. Our reviews found conditions that needed to be corrected.

- At the Wewoka Public Schools, the food service director used CNP funds to buy nonprogram items for personal use and allowed family members to use the funds to make purchases from a local grocery store. The director also used school food items purchased with CNP funds to prepare meals for a personal catering business and to prepare food items to sell to the public.

Inadequate controls also resulted in unsupported claims for reimbursement. An analysis of meal patterns for school lunches served during the last 5 years revealed that over half of the 746,600 meals claimed for reimbursement either did not meet meal pattern requirements or did not have sufficient documentation to substantiate that those requirements were met. In addition, the school could not always support the number of meals claimed for reimbursement for the last 5 years. The school received almost \$529,500 in reimbursement for these meals.

We recommended that unauthorized expenditures of CNP funds be recovered. In addition, we recommended that FCS determine the dollar recovery due to meal pattern deficiencies and overstated meal counts. The food service director resigned after the audit was completed.

- At the Bell County School System we identified about \$23,000 in ineligible expenditures and another \$31,000 in unsupported expenditures. Either the expenditures did not benefit program operations, or the programs were charged more than their proportionate share of the costs. State officials also identified additional unallowable or excessive expenditures.

Based on our audit, and their own review, State officials determined that ineligible expenditures, with interest, totaled approximately \$83,000. The State documented that the school district had repaid \$22,000 and reimbursed the school food authority account for \$61,000.

### School Districts Overclaimed Startup Funds

At the request of the FCS, we reviewed the School Breakfast Startup Grant Program to determine whether it increased students' access to a School Breakfast Program and whether grant funds were used properly. The Startup Program was designed to help schools pay expenses associated with starting a School Breakfast Program. FCS provided school districts with \$23 million in startup funds for fiscal years 1990 through 1994.

We evaluated program operations in two States and found that school districts there had used the grant funds to start and maintain breakfast programs in their schools, but that they did not always comply with program regulations. Increased monitoring by FCS and State staff was needed.

- School districts charged ineligible and unsupported costs to the grant. Of the \$1.2 million in grant funds we tested, about \$115,000 went towards ineligible or unsupported expenditures.
- One State prematurely disbursed over \$928,000 of grant funds to its school districts, which cost the Federal Government nearly \$23,000 in unnecessary interest costs.
- Program monitoring was infrequent, partly because the amount of annual grant funds in any individual State or school district was small. FCS' reviews in States and school districts did not always cover the startup grants, and State reviews in districts were not adequately covering the use of grant funds.

We recommended that FCS officials recover the questioned costs, revise the required grant agreement to clarify fiscal requirements, and increase monitoring of school districts' compliance with grant requirements. FCS staff have taken action on most of the recommendations.

## **Food Companies Fined \$2 Million in Bid-Rigging Cases**

During this reporting period, three food companies operating out of Texas received stiff fines for violating the Sherman Antitrust Act in connection with their bids to supply milk or food to school districts in Texas and Louisiana. The National School Lunch Program (NSLP) provides a substantial portion of the funding to public schools for meals and milk. These investigations were conducted jointly with the Antitrust Division of the Department of Justice.

- A Texas food company was fined \$1 million in Lafayette, Louisiana. This company had conspired to submit noncompetitive bids for milk contracts to schools in western Louisiana.
- A Houston, Texas, food company was fined \$900,000. The company had conspired to submit noncompetitive bids to deliver wholesale grocery products to schools in southeastern Texas.
- A Dallas, Texas, dairy was fined \$100,000 and placed on 2 years' probation. The dairy had conspired to submit noncompetitive bids for milk contracts with schools in northern Texas.

## **Procurement Practices Resulted in Higher Prices for Food Products**

During this period we continued to audit procurement practices at local school districts. We found that the Gary, Indiana, Community School Corporation used procurement practices that resulted in higher prices than necessary for food bought for the NSLP. Neither FCS nor State officials were aware of these practices or of the restrictions that had been imposed on vendors to qualify to bid on contracts. (The corporation required vendors to demonstrate minority hiring.) As a result of these practices, the corporation rejected two of the lowest bidders and contracted to pay about \$35,400 more than necessary for food products and supplies in the 1992-1993 school year. The corporation also awarded \$43,000 in contracts to vendors without the benefit of competition.

We also found that the corporation could not ensure the validity of expenses charged to the NSLP. Other departments could purchase products and charge them to the program without authorization from the food service department.

We recommended that the Gary Community School Corporation comply with its own written procedures and Federal regulations. This would result in a more efficient and economical award of contracts, and would allow for open and free competition. We also recommended that a monitoring system be implemented at the Federal or State level to provide oversight of procurement activities. FCS and the State officials have agreed to implement these recommendations.

## **Child and Adult Food Care Program**

### **Management Controls Over Day Care Home Meal Claims Need Improvement**

In our last semiannual period, we reported that day care providers in Texas claimed meals that were incorrect or unsupported. A recent audit in Mississippi also found a high level of noncompliance by sponsors and day care providers, some of whom claimed meals for nonexistent day care homes and children. Consequently, we expanded our reviews of day care activities to evaluate the program nationwide. We completed audits of those activities in five States (California, Georgia, Kansas, Minnesota, and Texas).

We reviewed 38 of the 285 sponsors in the 5 States and 300 of the 54,000 day care homes. During the 6-month period under review, the five States spent about \$122 million for day care meals. Based on the conditions we found, we statistically estimated the size and dollar impact of each deficiency over the five State complex for the 6-month period, and projected the following.

- 3,700 day care homes claimed meals totaling over \$6 million for absent or nonexistent children.
- 22,200 day care homes did not maintain current records of meals served, resulting in unsupported meal claims totaling over \$2.5 million.



- 160 sponsors did not perform all required monitoring visits to day care homes.
- 201 sponsors did not require day care home providers to attend program and child care training.

Management controls over program operations were not properly designed to prevent or detect inflated and unsupported meal claims. Sponsor visits to day care homes were usually announced in advance, and the monitors did not collect enough information either from the homes or from parents to identify meal count problems. The sponsors may have been reluctant to identify serious deficiencies because their incomes were based primarily on the number of day care homes they had enrolled. State and FCS oversight reviews did not focus on the sponsors' controls, and tests of day care home activities did not identify meal claim problems.

We recommended that monitoring visits to day care homes be unannounced and that routine parent contacts be made. We also recommended that FCS (1) establish minimum review coverage for both States and sponsors, (2) seek alternatives to the practice of paying sponsors based on the number of day care homes enrolled, and (3) target its own reviews to assess the effectiveness of State and sponsor monitoring.

FCS officials generally agreed with our recommendations.

# Food Safety

## 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 fiscal year 1995 totaled about \$431 million.

### Major Grocery Chain Fined for Mislabeling Beef

A major grocery retail chain agreed to pay fines and restitution totaling almost \$600,000 after settlement of the largest consumer fraud case ever brought in the State of Nevada. The investigation by OIG agents and FSIS compliance officers disclosed that the chain was selling mislabeled meat in many of its stores in Las Vegas, Nevada. The grocery chain bought ungraded or lower grade beef and sold it as "USDA Choice." According to the company's own estimates, the loss to consumers could have totaled \$200,000.

### \$200,000 Fine Handed Down for Watered-Down Poultry Products

A poultry processing corporation in New Jersey was fined \$200,000 after its president pled guilty to overpumping a water-based solution into about 10,000 pounds of poultry products. Our investigation found that the corporation's poultry products were misbranded to underrepresent the amount of solution that had been added to the product.

The president also pled guilty on behalf of himself and the corporation to charges that included submitting false tax returns. Sentencing is pending. This investigation was conducted jointly with the Internal Revenue Service.

### Planned Changes Need To Be Implemented by FSIS

During this period, we evaluated FSIS' Meat and Poultry Inspection Program, following up on the status of corrective action on prior audit recommendations to identify areas that may warrant further review.

Our evaluation found that numerous initiatives are underway for implementing changes in the Meat and Poultry Inspection Program. Until the changes occur, however, FSIS staff continue to use inspection methods in place for 87 years. FSIS published proposed regulations to move the Hazard Analysis and Critical Control Point system closer to implementation, but full implementation will not occur for at least 5 years.

As a result of our evaluation, we are planning further reviews of plant operations, computer systems, new labeling requirements, and efforts to trace microbial diseases back to specific herds. Our current evaluation identified three areas needing improvement.

- *FSIS needs a cohesive management plan.* Because of FSIS' centralized upper management and its changes in personnel, many recommendations made from 1986 to the present by OIG, the General Accounting Office, and the National Academy of Sciences have not been implemented. FSIS is committed to complying with the recommendations, but long-term solutions have not survived from administrator to administrator. FSIS needs a management plan that delegates authority to ensure completion of the solutions.
- *FSIS needs to revise its grant of inspection.* Any revolutionary change in the inspection system needs to place responsibility on plant owners and managers. Toward this end, FSIS should revise the grant of inspection, signed by plant officials, that lays out the terms of the inspection process. The current grant of inspection does not require certification that the plant is conforming with laws and regulations, and it does not contain penalties for violations. Without an efficient means of dealing with recalcitrant plants, FSIS has had to establish lengthy and costly administrative procedures to ensure that plants comply.

- *FSIS needs to educate consumers.* An estimated 6.5 million people suffer annually from foodborne illnesses. Progress in veterinary science has decreased the hazards posed by some animal diseases, but microbial contamination still occurs during and after slaughter. Properly educated, the public can reduce the risk of foodborne illness by correctly handling, cooking, and storing meat and poultry. We believe FSIS should inform consumers of these precautions, either through public service announcements or safe food-handling labels.

We recommended that FSIS (1) delegate authority to ensure completion of long-range plans, (2) implement corrective action for those audit recommendations for which action has not been completed, (3) revise its grant of inspection to function like a contract, and (4) pursue mass consumer education efforts.

FSIS management agreed with the recommendations and has specified corrective actions it will take.

# Marketing and Regulatory Programs

## 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. AMS' funding level for fiscal year 1995 is approximately \$231 million.

### Pesticide Programs Have Been Implemented; Some Improvements Needed

AMS is responsible for collecting information on the use of farm pesticides. Under authority of the Food, Agriculture, Conservation, and Trade Act of 1990, AMS initiated the Pesticide Data Program (PDP) and the Pesticide Recordkeeping Program (PRP). The PDP is a cooperative effort between AMS, the Environmental Protection Agency, and the Food and Drug Administration to analyze pesticide residues on fruits, vegetables, and other farm products. Under this program, State agricultural agencies collect samples of commodities from grocery stores and wholesale markets and analyze them for the presence of pesticides. The PRP requires private certified applicators (generally farmers) of restricted-use pesticides to maintain detailed records of their use. AMS provides administrative funding to the States to operate the two programs.

We found that AMS staff have made substantial progress in implementing the PDP and PRP. They continue to work toward expanding the programs and have generally established adequate policies and procedures. However, we did identify several areas that require corrective action.

- A California laboratory had almost 1 year's backlog of samples that it had not tested. Because this lab analyzes 27 percent of AMS' annual nationwide sample of commodities, information regarding pesticide use will remain incomplete if the backlog is not resolved.
- AMS does not yet monitor all applicators' compliance with the recordkeeping requirements of the PRP. Compliance monitoring in 35 States, home to over half of the Nation's private applicators, has been restricted due to funding limitations.

- California and Texas overclaimed \$983,000. The States improperly obligated funds at fiscal yearend for future uses and claimed reimbursement for ineligible and duplicate costs. Also, California earned over \$7,000 of interest income by holding on to advances of Federal funds.

We recommended that AMS staff help California officials eliminate the backlog, evaluate alternatives for expanding the PRP to more States, and recover \$990,000 from California and Texas.

We have worked closely with AMS officials throughout our review. As a result, AMS supported our conclusions and is in the process of addressing our recommendations.

### Inspection Funds Used for Unauthorized Purposes

The Agricultural Marketing Act of 1946 authorizes USDA to inspect and certify agricultural products in interstate commerce and to collect fees to cover the cost of its services. The act also authorizes USDA to cooperate with States to carry out its provisions. States perform inspections on behalf of AMS and collect the fees, a portion of which they remit to AMS.

In California, the shipping point inspection program operates under a cooperative agreement between AMS and the California Department of Food and Agriculture. The program provides inspections of fresh fruits and vegetables at shipping points throughout the State. Under the terms of the agreement, the inspection fees paid by producers may only be used for shipping point inspections.

Concern over California's use of shipping point inspection funds prompted AMS officials to ask OIG to audit the program. We found that the California legislature directed the transfer of over \$300,000 in shipping point inspection funds to the State general fund. These funds were thus available for noninspection purposes. The State also withheld over \$54,000 in fees due AMS for Federal supervision of the shipping point inspection program. The cooperative agreement states that California will pay AMS 3 percent of all fees collected. California withheld the \$54,000 because it believed AMS owed a share of the refund the State had granted to producers when it issued a rebate of surplus inspection fees.



USDA inspects and certifies agricultural products when shipped or received in interstate commerce. AMS photo.

The Office of the General Counsel advised us that inspection funds are not State funds but are only held by the State. The State cannot pass legislation to annul its cooperative agreement, and its refund of surplus inspection fees to producers does not entitle the State to a refund of its AMS assessment.

We recommended that AMS officials work with State staff to recover the \$300,000 and prevent any future unauthorized transfers. We also recommended that AMS bill California for the \$54,000 in past-due assessments.

California officials told us that the funds were partially returned to the shipping point inspection program. AMS staff is working to recover the remaining funds.

#### **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 1995 activities are estimated to total over \$462 million.

#### **Indonesian Businessman Caught Smuggling Endangered Orchids**

A businessman from Indonesia pled guilty in Los Angeles, California, to smuggling orchids protected under the U.S. Endangered Species Act and the Convention on International Trade in Endangered Species (CITES). Under the Convention, signer nations such as the United States agree to enforce restrictions imposed worldwide regarding endangered plants. The businessman was arrested when he attempted to sell 224 smuggled orchids to an undercover agent posing as a plant dealer. The plants, which were smuggled as seedlings and bulbs, had an estimated retail value of over \$41,000. The businessman also pled guilty to charges that between July 1992 and June 1993, he smuggled over 1,300 plants into northern California, with a retail value of over \$150,000.

Sentencing is pending. Charges are also expected against others who participated in the smuggling operation. This case was conducted jointly with U.S. Fish and Wildlife Service and APHIS staff.

## Additional Authority Needed To Enforce Animal Welfare Act

The Animal Welfare Act of 1966 provides for the humane treatment of warmblooded animals used for research or exhibition, as well as those raised and sold by dealers. APHIS has primary responsibility for the administration and enforcement of the act.

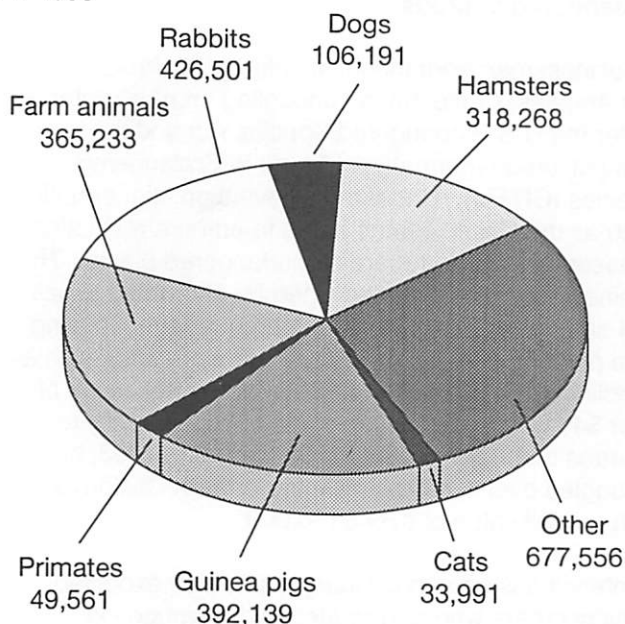
Our audit evaluated whether APHIS had adequate procedures to administer the Animal Welfare Act and whether it was able to properly enforce the act based on its authorities under current legislation. In FY 1993, there were approximately 7,700 licensed animal-related facilities in the United States; 1,400 of these were active in research and used 2.3 million warmblooded animals for these purposes. During this time, APHIS made over 17,000 inspections and followup visits to these facilities.

We found that under current legislation, APHIS staff are not able to effectively enforce the Animal Welfare Act. For example, they cannot immediately terminate licenses or refuse to renew them for any cause other than failure to pay the renewal fee. Terminating a license for any other cause requires an administrative

Figure 7

### Animals Used in Research, Experiments, Testing, and Teaching

FY 1993



hearing, which may take up to 3 years. Also, monetary penalties cannot be collected for violations unless the violator agrees to pay them. These penalties are often so small that violators regard them as a cost of doing business. In some cases, APHIS has no jurisdiction because the pet protection provisions of the act do not cover stray animals that research facilities get directly from pounds and shelters.

We also concluded that APHIS staff does not make the most effective use of its existing authority. Because research facilities applying for new licenses are not inspected before the licenses are issued, these facilities can be out of compliance with the act for up to 1 year. Monetary penalties are not aggressively collected, and facility operators who routinely refuse admittance to APHIS personnel are accommodated. These facilities, therefore, have little incentive to comply with the act. Also, inspections at research facilities do not adequately cover the groups assigned to ensure proper care of research animals.

When APHIS inspectors found conditions that threatened the health and safety of animals, they did not always return to the locations for followup inspections because APHIS could not adequately track inspections and often misclassified violations.

We recommended that APHIS seek legislative authority to revoke licenses or withhold their renewal, and to extend the pet protection provisions of the act to include strays acquired by research facilities. We also recommended that APHIS staff inspect research facilities before issuing first-time licenses, take aggressive action to collect monetary penalties, suspend operators who deny APHIS personnel access and revoke the licenses of repeat offenders, broaden inspection coverage of research facilities, and improve the system to track inspections.

Program officials agreed with our findings and recommendations, and have already begun corrective action.

### Some User Fees Did Not Recover All Costs of Services

The 1990 farm bill authorizes APHIS to collect user fees for agricultural quarantine inspections, import and export inspections of animals or birds, and veterinary diagnostics. Fees are also collected from airlines and railroads for inspection of railcars, aircraft and international passengers who may carry agricultural products.

## **Grain Inspection, Packers and Stockyards Administration (GIPSA)**

Our review found that user fee rates for international passengers, commercial aircraft, trucks, vessels, and railroad cars are now reasonable. Prior internal reviews by APHIS had identified underpaid air passenger fees totaling \$6.4 million and aircraft fees totaling \$1.2 million. APHIS has collected \$6.8 million of the underpaid fees.

However, our current review found that costs used to determine hourly rates for veterinary services for fiscal years 1993 and 1994 were understated. Consequently, user fee rates which were based on these costs did not recover all costs of the services provided. Hourly rates for veterinary medical officers and animal health technicians were understated for 1993 and the blended hourly rates were understated for 1994. This resulted in a revenue loss of \$139,000 in 1993 and a projected revenue loss of \$34,000 in 1994. Also, because of the understated costs for veterinary diagnostic user fees, APHIS will not recover over \$1.3 million spent annually on laboratory tests.

Federal agencies need to coordinate their reviews of fees paid by airlines. In its first 15 months of operation, APHIS' internal review staff reviewed airline fees at only 22 of 228 airlines. At this rate, it will take APHIS 13 years to review all airlines. APHIS, the U.S. Customs Service, and INS all collect fees from airlines based on the number of air passengers entering the United States. Only 3 of APHIS' 22 reviews were conducted jointly with the Customs Service. APHIS and Customs staff share the results of their airline reviews, but neither agency determines if fees are owed to any other Government agency.

We recommended that APHIS revise its user fee rates, establish procedures to calculate fee rates that recover the full cost of services, and work toward coordinating airline reviews with the Customs Service and INS.

APHIS officials agreed that the user fees did not recover all costs and should be revised. They also stated they would work toward coordinating airline reviews with INS. They did not agree to pursue further cooperation with the Customs Service. We continue to work with management on this issue.

### **Businessman Sentenced to 5 Years for Illegal Fumigation**

A Minnesota man hired by the cereal giant General Mills to fumigate oats was sentenced to 5 years in prison after he was convicted on charges he knowingly sprayed an unapproved pesticide on about 19 million bushels of oats. Nationwide cleanup of facilities contaminated by the illegal pesticide could cost General Mills well over \$100 million.

The fumigator had signed a contract with General Mills to spray the oats with the pesticide Reldan, but evidence obtained through search warrants showed he used a cheaper and unapproved chemical, Dursban, while billing General Mills for the Reldan applications. For over a year, contaminated oats were used in the production of approximately 160 million boxes of cereal, including Cheerios and Lucky Charms. Some of the boxes were sold to the public before the problem was discovered. Although Dursban has not been approved for fumigating stored grain, the Environmental Protection Agency (EPA) has found that traces of it in cereal does not pose a health hazard.

This case was conducted jointly with agents from the EPA and the Food and Drug Administration.

### **Plant Owner Concealed Origin of Cattle With No Health Certificates**

The president and owner of a New York packing company pled guilty on behalf of his company to creating false records to conceal the origin of cattle and circumvent State regulations governing imported cattle. Federal law requires packing companies to maintain accurate records to ensure the integrity of the livestock, meat, and poultry markets. For its slaughtering operation, the company received interstate shipments of cattle from dealers whose herds did not have health certificates, as required by State regulations, and commingled them with local cattle. To conceal the shipments, the company falsified a total of 32 entries on its shipping records. Although we found no evidence that any animals slaughtered were diseased, falsification of the origin of cattle can confound State and Federal authorities' ability to trace diseases back to herds of origin should any problems arise in food products.

# Natural Resources and Environment

## Forest Service (FS)

The FS manages natural resources on over 191 million acres of the National Forest System. It provides cooperative forestry assistance to States, communities, and private forest landowners; conducts international forestry activities in cooperation with other countries; and manages a comprehensive forest research program. For fiscal year 1994, the FS appropriation was \$3.4 billion, and timber sales and other receipts were \$1.2 billion.

### Timber Company Pays for Illegal Tree-Cutting

A large timber company in Arizona agreed to pay \$300,000 in civil damages to the FS in an out-of-court settlement for illegally harvesting Government trees. Our investigation disclosed that the company had cut down and removed over 1,200 trees on the Kaibab National Forest that had not been designated for harvesting.

The timber company was also placed on a pretrial diversion program for 1-1/2 years. As part of the diversion agreement, the company was required to adopt and follow a new harvesting policy which would make unauthorized cutting easier to detect and subsequent sanctions against the company easier to impose.



Large harvesting machines like this one were used to illegally harvest timber from the Kaibab National Forest, AZ. OIG photo.

A Forest Service special agent assisted in this investigation.

### Reforestation Company Executive Sentenced for Embezzling

The former financial administrator of a nonprofit organization based in Albuquerque, New Mexico, was sentenced to 14 months in prison and ordered to pay \$7,200 after pleading guilty to charges of embezzling funds from his company. The company performed reforestation work and received FS funds through the urban reforestation program, *America the Beautiful*. Our investigation showed the administrator embezzled over \$33,000 in funds.

### Maintenance Needs at Recreation Sites Apt To Get Worse

The FS provides more outdoor recreation opportunities to the general public than any other Federal agency. Besides making forest areas available for rafting, hiking, hunting, and fishing, the FS maintains approximately 13,000 developed recreation sites, such as campgrounds, picnic areas, and observation points. Although funding for maintaining recreation sites has increased steadily over the years, it has not kept pace with maintenance needs resulting from aging facilities and increasing user demands. Vandalized and damaged sites are becoming more prevalent at some forests located close to large urban areas.

The FS does not have a system which generates information regarding its maintenance backlog. We surveyed 75 ranger districts and found that the FS had a recreation facility maintenance backlog of \$435.5 million as of September 30, 1993. Over 70 percent of the district personnel responding to our questionnaire considered current funding levels inadequate for this maintenance. Over 80 percent expected the backlog to increase.

In order to better manage its limited resources, the FS needs to track its maintenance needs accurately. Current procedures do not clearly define the work that constitutes backlog and do not provide sufficient guidance to determine the costs associated with this work. The FS should have reliable systems to manage its backlog and to account for the resources used to maintain and reconstruct recreation sites. The FS should also set performance goals that can be used to monitor accomplishments in this area.





Vandalized restroom at Mt. Baldy Ranger District. OIG photo.



Vandalism and other maintenance needs have outpaced FS resources in certain areas. OIG photo.

We believe that even with the improvements described above, the FS will continue to have problems adequately maintaining its recreation sites at current funding levels. Budget increases in recent years have not produced the intended results; the FS recreation program has had to absorb a larger share of the agency overhead expenses formerly paid for by the now-reduced timber sale program. The continuing acquisition of recreation facilities has placed further demands on limited resources. The FS needs to consider alternative strategies to conserve these resources. It could use private concessionaires to maintain sites, or it could close uneconomical sites.

We recommended that FS staff issue clear guidance for backlog reporting, implement an improved management system to track facility condition and backlog, direct districts to perform comprehensive surveys of developed recreation sites, and establish measurable performance goals.

FS officials concurred with the overall findings and the need to improve the maintenance program. They advised us that progress has been made in developing management and performance measurement systems, which will focus on the concept of "shortfall" rather than backlog. Repair and restoration of facilities should continue to receive major planning emphasis.

### **Natural Resources Conservation Service (NRCS)**

NRCS is a new agency that assumes responsibility for most USDA conservation programs formerly administered by the Agricultural Stabilization and Conservation Service and the Soil Conservation Service. NRCS provides technical assistance to producers to implement and maintain conservation compliance plans. It has placed emphasis on achieving higher enrollment in the Wetlands Reserve Program, and on carrying out major activities for conservation operations and for watershed and flood prevention operations.

#### **Conservation Acres Were Ineligible in One County**

The Conservation Reserve Program (CRP) was established to help farmers prevent soil erosion on highly erodible and environmentally sensitive cropland. The objectives of the program are to conserve and improve

soil and water resources by planting permanent cover on up to 44 million acres of eligible cropland. NRCS staff determine the eligibility of all land being submitted for admission to the program.

NRCS officials in one State asked us to evaluate the CRP eligibility determinations made by a former district conservationist at a county office. The county had 46,000 acres enrolled in the Conservation Reserve Program in 1994, with annual payments to landowners of approximately \$3.6 million.

Our audit disclosed that the district conservationist made incorrect eligibility determinations on 34 of the 41 contracts in our statistical sample. In each of these cases, all or part of the acres enrolled in the program should have been rejected because they did not meet the regulatory definition of "highly erodible" land. The conservationist took numerous shortcuts in his analyses, such as making a single eligibility determination for an entire farm instead of making field-by-field determinations as required. We projected that inaccurate determinations were made on 603 of the county's 961 CRP contracts and that 16,000 of the 46,500 enrolled acres did not meet eligibility requirements. Accordingly, about one-third of the county's CRP payments to landowners were excessive.

Controls used by NRCS to ensure the accuracy of eligibility determinations needed to be improved. NRCS' internal reviews, performed at the county offices annually, did not always cover CRP determinations. Those reviews that did, did not disclose incorrect determinations. Five of the contracts we found with incorrect determinations had been internally reviewed in both 1991 and 1992, but the incorrect determinations had not been disclosed.

We recommended that NRCS officials determine whether disciplinary action should be taken against the employee who made the improper determinations, and that they redetermine the eligibility of additional contracts. We also recommended that the procedures for performing annual reviews be strengthened.

NRCS management reassigned the district conservationist to a position unrelated to the CRP and is reviewing possible disciplinary action. Agency staff also agreed to work with CFSA to redetermine the eligibility of CRP contracts that are being extended.

## Salinity Control Program Is Ineffective and Subject to Potential Fraud

The Colorado River Basin Salinity Control Act authorizes USDA to share with individuals and others the costs of reducing the amount of salt entering the Colorado River from agricultural irrigation. The Colorado River Salinity Control program can finance up to 70 percent of the cost of implementing salinity control plans in salt source areas. Since the program's inception in 1987, it has provided over \$40 million in cost share assistance and over \$27 million in technical and educational assistance. The funding level for 1993 was \$8.2 million. The program historically has been administered jointly by NRCS and CFSA.

Our review in three counties in Colorado disclosed that USDA did not perform sufficient reviews of cost data submitted by program participants. Because of inaccurate data, the Government disbursed about \$737,000 in cost shares for contracts with questionable costs.

We also found that the program was vulnerable to abuse by participants. We reviewed cost shares claimed by 29 participants and found that 6 of them (1) claimed cost shares at full value even though they

received discounts, (2) reported costs of materials they did not use, (3) altered invoices to show higher costs, or (4) used contractors who they knew would inflate invoices above the actual cost incurred. One participant's records showed the actual cost of installing his salinity control plan was \$295,000; however, the participant used a company that submitted an invoice for \$359,000. Another participant submitted invoices which were clearly altered. In this case, the vendor's records showed two sets of invoices, one for the vendor's official records, and one to be submitted for cost shares. The set that matched the invoices submitted for cost shares had "DUMMY" written on it. Several of these cases are pending investigation.

Also, NRCS staff did not ensure that salinity control plans provided for salinity reduction on agricultural land and approved some projects that benefited only nonagricultural land. One city obtained a program contract for \$100,000 to partially fund the development of a wetland habitat in a city park. The development diverted water from an adjacent lake to spill into an artificial stream and irrigate grass areas of the park. An NRCS planner told us this project would actually increase the salt loading of the Colorado River.



Salinity Control Program funds were used by one community to fund a project in a city park. OIG photo.

CFSA shared costs on other projects that merely provided irrigation water to housing subdivisions. On these projects, costs were even shared on the construction of driveway culverts for access to the new houses.

These conditions existed partly because of poor communication between CFSA and NRCS staff. Even though CFSA was assigned primary program responsibilities, it became merely a checkwriter and recordkeeper. Participants submitted invoices on which CFSA staff made payments without knowing whether the costs claimed were necessary. NRCS staff, on the other hand, provided technical assistance to install the project and certified it was complete, but did not ensure that costs were reasonable. We have expanded audit coverage into other States.

Reorganization of the Department placed this program solely within NRCS, which should provide better control over costs and payments. We recommended that NRCS management clarify program responsibilities, develop a methodology to ensure costs claimed are adequately supported and reasonable, collect overpay-

ments where appropriate, and ensure funds are used only for program purposes. NRCS officials agreed and are developing a corrective action plan.

### **\$1.8 Million in Surety Bond Fraud Uncovered**

A man was convicted in San Antonio, Texas, of defrauding several Federal agencies through the use of worthless surety bonds. The man posted the bonds to guarantee the performance of various contractors doing work for the Government. The scheme unravelled when several contractors, including one under contract with NRCS (formerly SCS), defaulted on their projects, and the agencies attempted to collect on the bonds.

The bondsman was sentenced to 5 years in Federal prison and ordered to pay \$1.8 million in restitution. Criminal and civil actions continue against a number of other people involved in the scheme. The court determined that NRCS lost over \$109,000 as a result of the fraud. This investigation was conducted jointly with the FBI and other Federal investigative agencies.



Construction costs for new home driveway culverts were shared inappropriately by USDA. OIG photo.

# Rural Economic and Community Development

Under the Department's reorganization, the Farmers Home Administration, the Rural Development Administration, and the Rural Electrification Administration were abolished. Most of the loan programs these agencies administered were reassigned to three newly created agencies: the Rural Housing and Community Development Service (rural housing and community facility loans), the Rural Business and Cooperative Development Service (cooperative assistance and business and industry loans), and the Rural Utilities Service (water and waste loans). Farm loans were reassigned to the Consolidated Farm Service Agency, which is administered by the Farm and Foreign Agricultural Services mission area.

## Rural Housing and Community Development Service (RHCDS)

RHCDS makes loans for rural family housing, apartment complexes, and community facilities. As of the end of fiscal year 1994, about 658,000 borrowers owed RHCDS \$19 billion in direct single-family housing loans, 22,000 owed \$11 billion in direct multi-family housing loans, and 2,600 owed \$1.1 billion in direct community facility loans. An additional 24,000 borrowers had obtained loan guarantees through RHCDS totaling \$1.5 billion.

### Better Debt Management Needed for Cases Pending Litigation

In addition to RHCDS' \$31 billion loan portfolio, CFSA services another \$12.9 billion of debt in direct loans held by 212,000 farmers. At the end of fiscal year 1993, about 9 percent of the accounts were delinquent \$8.7 billion, and about \$2 billion of the delinquencies were pending litigation (generally foreclosure) at the Department of Justice.

We evaluated the agencies' systems for tracking cases pending litigation, and we reviewed debt settlement actions where litigation had been completed. We found the following problems.

- *Agencies did not have an effective automated tracking system.* Of the 300 accounts we reviewed in the automated system that were identified as pending litigation, 220 were either through litigation or were awaiting some other servicing action. The manual

system maintained by the States was more accurate than the automated system, but it was missing 39 accounts that the automated system had properly recorded. Altogether, about \$91 million of the \$122 million reviewed was recorded in error.

Because the agencies' data was inaccurate, debt management information reported to the U.S. Treasury was unreliable. An effective tracking system would facilitate the litigation process and help determine its cost.

- *Field office staff were not settling accounts with other creditors in a timely manner once foreclosure was complete.* We estimated that in the 7 States we reviewed, 1,660 foreclosed accounts worth about \$154 million remained unsettled. These accounts, which have no potential for collection, continue to incur borrowing costs.

Program management recently began a feasibility study of a departmentwide litigation tracking system. However, the system will take over 2 years to implement. We recommended that in the interim, agency staffs ensure that data in existing systems is correct and that accounts are settled in a timely manner. We also recommended that they report information to the U.S. Treasury from the manual system only.

Program managers agreed with our recommendations on ensuring data accuracy and settling accounts. We are working with them on reporting procedures, pending implementation of the proposed system.

### Developer Sentenced for Inflating Rural Rental Housing Costs

We previously reported that the president of a New York real estate management company pled guilty to bilking the Rural Rental Housing (RRH) Program out of over \$1 million and evading income taxes. The president illegally received over \$913,000 in builder's profits from the RRH projects that he managed and stole another \$250,000 from the projects' laundry accounts. During this period, he was sentenced to 18 months in prison, fined \$7,500, and ordered to pay \$664,000 restitution and forfeit an additional \$913,500. He was also administratively debarred from all Government programs.

The construction company that had conspired with the management company president to pay the illegal fee also pled guilty and was fined \$300,000. Two accountants who were indicted in the case were acquitted at trial.

Internal Revenue Service agents worked with us on this case.

### **RRH Project Funds Misused**

RHCDS officials asked us to review an RRH management company to determine if it had properly managed all of its RRH projects. The management company's owner was also the borrower who built the projects with a RHCDS loan. Audits have shown that projects like these, where the borrower and manager share a financial interest, are highly vulnerable to abuse. The borrower owns and manages 11 RRH projects throughout West Virginia and has received RRH loans totaling \$13 million. We reviewed six of these projects, with loans totaling \$7.7 million.

Our analysis disclosed that the management company could not support over \$353,000 in expenses charged to project accounts. The company also charged the projects \$52,000 in unallowable expenses, including \$25,000 resulting from a markup on supplies, and \$21,000 for manager salaries and legal fees.

RHCDS personnel were inconsistent in monitoring the borrower's operations. Management plans submitted for four projects were approved even though they did not contain competitive cost data for services provided by the borrower. Also, the results of management reviews and site visits conducted by RHCDS staff were not always used to correct problems.

We recommended that the management company reimburse the projects for unsupported costs or provide support for them, and that it reimburse project accounts for unallowable costs. We also recommended that RHCDS personnel strengthen their monitoring of RRH operations. RHCDS management agreed.

## **Alternative Agriculture Research and Commercialization Center (AARC)**

AARC was authorized by the 1990 farm bill to support research and commercialization of new nonfood/nonfeed uses of agricultural commodities. A nine-member board, appointed by the Secretary, establishes policy and procedures for AARC and reviews and approves applications for project funding.

### **Potential Conflicts of Interest Found**

Our evaluation of AARC identified potential conflicts of interest in the board's decisions on six projects. Three board members had financial interests in companies that received AARC assistance, but board minutes do not show that these members had either disclosed their interests or recused themselves from approving the projects. Also, no board members had filed the confidential financial disclosure statement required of special Government employees, and three had exceeded their authorized term as an AARC board member or officer.

We informed Department officials of the potential conflicts of interest and the absence of the required financial disclosures. They responded promptly by replacing three board members and appointing a new board chairman. All members were instructed to submit their financial disclosure statements before the next board meeting.

# Financial, Administrative, and Information Resources Management

## Financial Management

USDA is required by the Chief Financial Officers (CFO) Act and the Government Management Reform Act to prepare and audit financial statements for all departmental accounts and activities. USDA's FY 1994 financial statements were prepared using seven accounting systems maintained by six separate agencies and by USDA's National Finance Center (NFC).

### Financial Statement Audits

During this reporting period, we completed audits of the FY 1994 financial statements of FCIC, the Rural Telephone Bank (RTB), and three agencies which no longer function under their original names. These agencies were the Farmers Home Administration (FmHA), the Rural Development Administration (RDA), and the Rural Electrification Administration (REA). We issued unqualified opinions on all statements except FmHA/RDA's, on which we gave a qualified opinion because we could not assess the reasonableness of the agencies' allowance for subsidy and loan guarantee liability on obligations after FY 1991.

The audits resulted in the identification of five reportable conditions—significant control deficiencies that could adversely affect the agencies' ability to process financial data. The reportable conditions noted during our audit led to the following conclusions.

- FmHA must coordinate with the Department's Office of Information Resources Management to eliminate the vulnerability of its computer files to unauthorized access. The vulnerability arises because of weaknesses in the automated scheduling software used by the National Computer Center. In addition, FmHA needs more indepth security reviews, enhanced contingency planning in the event of a disaster, and tighter restrictions over special system files, powerful programs and tasks, embedded passwords, and secondary dictionaries.
- FmHA must improve its procedures for accumulating and documenting the data it uses to establish and re-estimate loan subsidy costs for direct loans and loan guarantees.
- FmHA must strengthen its loan servicing procedures to improve the servicing decisions it makes and the timeliness with which it makes them.

- FmHA must finish documenting its strategic and intermediate control objectives to ensure that management's overall goals are achieved consistently and uniformly.
- REA must receive detailed salary and expense fund records from NFC before it can ensure the accuracy of those records.
- REA must provide additional training and documentation regarding support for loan loss reserves.

All but the last three reportable conditions are considered material weaknesses. A material weakness is a control flaw that could result in a significant error that would not be detected in normal business. Materiality is based on amounts that would be material to the financial statements or to performance measures.

The audits also identified three instances of material noncompliance with laws and regulations. For example, FmHA has not fully implemented the U.S. Standard General Ledger as required by the Federal Managers' Financial Integrity Act, and it has not completed certification reviews of sensitive automated systems.

Issues of lesser importance involving all of the agencies were reported in corresponding management reports. During this reporting period, we also issued management reports related to our audits of the FY 1993 Forest Service, Food and Nutrition Service, and USDA consolidated financial statements.

Agency management generally agreed with our findings and recommendations.

### NFC Needs To Ensure Implementation of Suitable Management Controls

We previously reviewed NFC's FY 1992 and FY 1993 management control structure and issued disclaimers of opinion because NFC had not documented its control objectives and techniques. Specifically, NFC had not thoroughly assessed its control needs to determine if the controls it has are enough to do the job. Our review of NFC's FY 1994 control structure disclosed that substantive deficiencies remain, even though NFC has made considerable effort to improve its control objectives and techniques. We issued a third disclaimer of opinion.

We recommended improving controls over systems certification, security, and modification. We also recommended that reconciliations between the general ledger and feeder systems be performed in a timely manner.

We continue to help NFC staff develop and implement its control system.

### **PCIE Review Confirms the Value of Credit Management Techniques for Guaranteed Loan Debt**

At the request of the Office of Management and Budget (OMB), the President's Council on Integrity and Efficiency (PCIE) performed a two-phase review of Federal credit programs. USDA-OIG served as lead agency for the first phase, which reviewed management tools for guaranteed loans. The seven Departments reviewed, including the U.S. Departments of Agriculture, Commerce, Education, Health and Human Services, Housing and Urban Development (HUD), Veterans Affairs (VA), and the Small Business Administration, hold over 94 percent of the Government's outstanding domestic loan guarantees.

The review confirmed the value of the credit management initiatives, formerly known as the Nine-Point Credit Management Program. For five of the seven Departments reviewed, the use of credit management techniques has generally been successful; remaining opportunities for improvement require only fine-tuning of programs already in use. Recoveries made by collection contractors have reduced the cost of the guaranteed loan programs. Also, the usefulness of HUD's credit alert system, the Credit Alert Interactive Voice Response System, has been broadened. By including information about defaults in other Federal programs, the system enables all Government departments using it to avoid losses by verifying applicants with questionable credit histories.

The review identified an opportunity to increase collections on defaulted guaranteed housing loans by applying credit management techniques to "invisible debt." The term "invisible debt" is applied to guaranteed loans because they do not show up on financial statements as an asset, although some potential for collection exists. The cost of "invisible debt" is high, with losses on housing loans totaling \$2.2 billion annually. Due to legislative restrictions, neither HUD nor VA establishes a debt against a borrower who defaults and has insufficient collateral to cover the balance due. Since the

debts are not recorded, they cannot be managed; there is no attempt to collect from borrowers who have the ability to repay their financial obligations.

The report has been well received by OMB, the Department of the Treasury, and the credit agencies. After we presented a formal briefing to the Federal Credit Policy Working Group, OMB officials committed themselves to use the report to support the Administration's legislative package for credit initiatives.

## **Information Resources Management**

Management must increasingly rely upon computers to streamline operations and improve service to the public. USDA has invested heavily in automated resources which are an integral part of the management of billions of dollars of Department payments, and it plans to spend billions of dollars in the future to modernize business processes. Audits of the Department's information resources, including modernization efforts and software and hardware management, continue to disclose weaknesses that leave operations vulnerable to waste and misuse.

### **Monitoring of Info Share Project Continues**

The goal of the Info Share project is to integrate information systems and business processes in order to improve delivery of services to customers of farm service and rural development agencies. This is a multiyear project, whose costs are expected to total over \$1 billion. The project, which originally concentrated on systems technology, began a reevaluation effort in September 1994 to redirect its efforts towards an overhaul of business processes. All strategies are under review. We believe this reevaluation is needed. Our reviews indicate that the project is encountering difficulties in a broad range of areas.

During this period, we issued two audit reports to help Info Share management in its reevaluation effort. The first report showed trends of which management should be aware.

- *Planning was incomplete.* Analyses of needs, alternatives, and cost benefits were not performed. Test plans and evaluation criteria were not always developed, and sufficient time was not allowed for testing.



- *Task teams did not always communicate among themselves.* Projects were not uniformly defined, causing confusion about the direction and outcome of the projects.
- *Staffing was insufficient to accomplish its goals.*
- *Contracts were not always administered in accordance with regulations.* Contractors substituted key personnel, provided incomplete documentation, and did not adequately justify the need for consultants. Info Share officials improperly gave one contractor acquisition information and directed the work of subcontractors on other projects.
- *ADP security vulnerabilities were not adequately addressed.*

Info Share management did not officially respond to the audit. We are still trying to reach management decision on the recommendations.

The second report was the result of management's request to review Info Share expenditures for FY's 1993 and 1994.

Our review disclosed that the system used to account for Info Share expenditures was effective only for those expenditures paid directly out of Info Share funds. It did not account for all Info Share-related expenditures paid out of partner agency funds. Also, partner agencies each used different definitions as to what constituted an Info Share expenditure. We calculated that Info Share costs for FY's 1993 and 1994 were understated by \$38 million and \$44 million, respectively, because those costs did not include expenditures from all partner agencies and were not based on a common definition.

We recommended that Info Share managers record all Info Share-related expenditures independently of their funding sources, use a standard definition to identify costs, update cost reports to reflect partner agency expenditures, and determine the information necessary for a budget tracking and accounting system. We also recommended that officials from the Office of Finance and Management, the Office of Information Resources Management, and partner agencies help design an Info Share budget and accounting system that will accurately track all Info Share expenditures.

Info Share management generally agreed with our concerns and is initiating corrective action.

In December 1994, a new program manager was selected to move the effort forward. We are continuing to monitor the program and are working closely with Info Share management to help ensure its success.

### **Development of New Financial Information System Proceeds**

Department management has recognized the need to improve USDA's financial systems to correct problems identified in prior audits. It has developed action plans as well as major long-term initiatives which, when implemented, will greatly improve financial management and result in better accountability departmentwide.

One major initiative is the Financial Information System Vision and Strategy (FISVIS). This project is responsible for establishing central financial systems, as well as standards, guidance, and definitions that apply to all agency financial information systems. At the end of last year, the Department awarded the contract for acquisition of the FISVIS Foundation Financial Information System. The value of the system-life delivery order of this system is \$18 million, while the value of the 8-year life cycle delegated procurement authority that was requested for the entire Department is \$924 million. The Department plans to have the new system up and running by 1996.

OIG is monitoring the Department's progress in reinventing its financial systems and establishing standards and guidance.

### **Software Licensing Compliance Needs Greater Management Attention**

We evaluated the management and control of software at the National Computer Center (NCC) at Fort Collins, Colorado. Our primary emphasis was to determine if existing practices allowed for efficient use of software and ensured compliance with licensing provisions. We also evaluated the methods used to protect the software from computer viruses.

We noted that while proposed procedures generally allow for efficient use of software, the center cannot always demonstrate compliance with software licensing agreements. We further noted that responsibilities relating to the management and control of software are fragmented and need to be consolidated. Additionally, virus prevention practices need strengthening.

We recommended that the center either remove all software for which proof of license compliance is not available or get the number of additional licenses needed. We further recommended that software management and control responsibilities be aligned for better coordination, that procedures be documented, and that virus prevention practices be strengthened.

NCC officials agreed with our findings and recommendations.

### **Computer Center Needs To Improve Management of Storage Program**

We audited NCC's management of the Direct Access Storage Devices (DASD) System and found that the staff was managing DASD adequately. However, the Center needed to provide its users with additional guidance to show how DASD could be more efficiently used if datasets were allocated to tracks rather than cylinders and if invalid datasets were deleted. Also, Center staff needs to manage its own datasets better by determining how the space is currently allocated and used, how datasets are assigned to specific volumes, and how they are migrated.

Center officials agreed with our recommendations.

### **OIRM Needs To Improve NCC Oversight**

We performed an audit of the internal control structure at the NCC to determine whether it was operating effectively. Our audits over the last several years have shown that the Center has made significant improvements in security over its computer systems. In our current audit, we noted several areas where OIRM management could improve its oversight and where the center could further enhance its computer security.

- *Audit followup should be improved.* We noted that some corrective actions reported as completed, had not been. Also, some actions taken were not adequate to ensure that the conditions did not recur.
- *Access to the Center's computer operations room should be further restricted and better controlled.*
- *Better controls should be established over the installation of software libraries that identify programs authorized to use sensitive computer system functions.* Center staff could not show whether integrity

reviews had been performed for 55 of 139 software libraries installed since our last review. Consequently, sensitive computer systems were exposed to an increased risk from unauthorized users.

- *Controls should be tightened over scheduling software.* Weaknesses in controls over the online access and submission of batch jobs through this software resulted in lessened protections of production programs and data.
- *Access controls should prohibit the use of default passwords by the Center and agency security officers.*

NCC officials generally agreed with our findings and are initiating corrective actions.

## **Oversight of Non-Federal Auditors**

OIG monitors the work performed by non-Federal auditors and ensures 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 each audit, to provide technical assistance, and to determine that it meets the requirements of OMB Circular A-128 and the Comptroller General standards. In addition, OIG commonly participates in quality control reviews, led by other assigned cognizant Federal audit organizations, of State agencies administering major USDA programs.

During this 6-month period, we issued four audit reports covering areas over which we have been assigned cognizance. As the assigned cognizant audit agency for single audit activities for the Puerto Rico Department of Agriculture, we processed the single audit report for the year ended June 30, 1991. We questioned \$37,219 in funds furnished to the Department by APHIS and AMS. The questioned costs were the result of reimbursements received from the USDA agencies which exceeded actual expenses incurred by the Department. It was recommended that the Puerto Rico Department of Agriculture improve its accounting controls in order to minimize time between the receipt of USDA funds and actual expenditures.

The other three audits, while identifying no monetary results, provided management with recommendations for improvement.

During this 6-month period we also received and distributed 54 reports furnished to us by other cognizant Federal agencies under OMB Circular A-128. Of these, 24 contained recommendations with associated monetary values of about \$4.8 million in USDA assistance. For audit reports where no cognizance had been assigned, we performed desk reviews for five reports, of which one involved questioned costs of \$35,000 in USDA assistance.

For audit reports prepared by non-Federal auditors under the requirements of OMB Circular A-133, Audits of Institutions of Higher Education and Other Nonprofit Institutions, we received and distributed 11 reports during this 6-month period. Of these, four contained recommendations with questioned costs of over \$219,000 in USDA assistance.

# Employee Integrity Investigations

A top priority for OIG is the investigation of serious allegations of employee misconduct, including 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 these types of matters resulted in 12 convictions of current or former USDA employees and 31 personnel actions, including reprimands, removals, suspensions, and resignations. The following are examples of some of the investigations which yielded recent results.

## **Former CFSA Employee Convicted of Perjury in Counterfeiting Scheme**

In Kansas, a former CFSA microfilm technician was convicted of perjury for making false statements to a Federal grand jury while under a grant of immunity. The technician was subpoenaed to testify regarding his involvement in a scheme to counterfeit CCC checks. He was sentenced to 1-1/2 years in prison.

We reported this counterfeiting scheme in 1993. The primary suspect, who had counterfeited three CCC checks totaling about \$98,000, pled guilty to the charges and was sentenced to prison. As part of his plea agreement, he implicated the microfilm technician and another CFSA employee who was subsequently fired.

## **Imprest Fund Fraud Totals Over \$170,000**

A former employee pled guilty in Washington, D.C., to embezzling \$171,000 from the USDA imprest fund. The thefts took place over a period of 5 years, while the employee worked as an international training specialist with the former Office of International Cooperation and Development. The employee submitted a total of 279 false claims for reimbursement. Some of these claims were for program participants who either did not exist or never traveled to the United States for training. Others were for program participants who actually traveled here, but never incurred the expenses which were submitted on their behalf. The employee, who has since resigned her position, was sentenced to 1 year in prison and ordered to make full restitution.

## **Former Employee Pleads Guilty in Overtime Fraud Scheme**

A former employee of FCIC pled guilty in Washington, D.C., to embezzling \$2,650 by claiming 177 hours of unauthorized overtime. The employee got her supervisor to certify to accurate time and attendance reports, but transmitted reports with false overtime to the National Finance Center, even though she was not an official time and attendance clerk. The employee resigned her position. Sentencing is pending.

## **Former APHIS Employee Guilty of Government Credit Card Fraud**

A former APHIS employee pled guilty in Virginia to embezzling \$8,600 through the misuse of a Government credit card. The employee was authorized to use the credit card only in his official capacity as a procurement assistant for approved purchases of goods and services for APHIS. On 15 occasions, between February and July 1994, the employee used the credit card to rent numerous cars for himself, his friends, and his family members. The employee resigned from APHIS as a result of this investigation. He was also sentenced to 4 months in jail and 3 years' probation, and was ordered to pay \$5,000 in restitution.

## **Contract Specialist Charged with Falsifying Bid Submissions**

A USDA contract specialist in Texas was arrested and charged with falsifying bid information for telephone equipment contracts for the agency's offices. The employee falsely certified that he obtained several bids for the contracts when in fact he only obtained a single bid from a friend. The friend was awarded the contract. The employee pled guilty and is awaiting sentencing.

## **APHIS Employee Embezzles Licensing Fees**

Lack of internal controls allowed an APHIS computer operator in a regulatory enforcement and animal care office in Texas to steal over 600 checks worth nearly \$75,000. These checks were sent to APHIS from various animal breeders, brokers, and exhibitors for their annual licensing fees. The employee was suspended and later resigned before pleading guilty to the charge. He was sentenced to 13 months' imprisonment and 2 years' supervised release.

### **FS Resource Clerk Sentenced for Embezzling Recreation Fees**

An FS resource clerk in New Mexico was sentenced to 3 years' probation for embezzling over \$13,000 in FS funds. The clerk stole cash fees that other FS employees had collected from the public to pay for products and maps and for the use of fuel wood and recreational facilities. The thefts occurred between June 1993 and March 1994. The clerk resigned from the FS during the investigation.

### **FS Employee Embezzles Special-Use Permit Fees**

A former FS employee in California was sentenced to 6 months' home confinement, placed on probation for 5 years, and ordered to pay over \$27,000 in restitution after she pled guilty to theft of Government property. Our investigation showed that in the course of the employee's job, she collected cash and checks from people who bought special-use permits to occupy cabins or operate houseboats on FS land. Over a 3-year period, the employee embezzled over \$27,000 in cash payments she collected. During our investigation, the employee resigned from the FS.

### **Marshall Islands Supervisor Embezzles Loan Funds**

A former CFSA area supervisor from the Republic of the Marshall Islands pled guilty to embezzling about \$13,000 in loan funds from borrowers' accounts and to using Government telephones to make about \$2,000 in personal telephone calls to family members in Hawaii. The supervisor, who resigned after the thefts were discovered, is a citizen of the Marshall Islands but voluntarily accompanied an OIG agent to Honolulu in order to resolve the criminal charges. Sentencing is pending.

# Statistical Data

## Audits Without Management Decision

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

## Audits Pending Agency Action

Agency	Date Issued	Title of Report	Total Dollar Value at Issuance	Amount With No Mgmt. Decision
CFSA	06/11/93	1. Payment Limitation for Hughes and Sully County Entities (03600-27-KC)*	\$593,193	\$87,780
	06/16/93	2. Payment Limitation for Rosebud, Yellowstone, Cascade and Daniels County Entities (03600-30-KC)*	\$260,273	\$110,273
	06/16/93	3. 1991 Maximum Payment Limitation, State of Arizona (03600-18-SF)*	\$1,322,101	\$624,912
	06/18/93	4. Adjusted World Prices for Rice and Upland Cotton (50600-8-At)*	\$193,000,000	\$153,000,000
	09/30/93	5. Control of Maximum Limitations for 1991 (03600-33-Te)*	\$14,940,144	\$14,940,144
	09/30/93	6. Security and Control Over ASCS Distributed Processing (03600-10-FM)*	\$0	\$0
	09/30/93	7. Crop-Year 1991 Claims (05600-4-Te)*	\$8,916,815	\$0
	07/01/94	8. Upland Cotton User Marketing Certificate Program (03099-35-FM)	\$165,000,000	\$165,000,000
	07/12/94	9. Marketing Loan Program Objectives and Accomplishments (03600-16-At)	\$1,227,700,000	\$1,227,700,000

<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>
	08/19/94	10. Wool and Mohair Payment Limitation, Terrell County, Texas (03600-43-Te)	\$1,199,730	\$30,000
	09/21/94	11. Evaluation of Controls Over Food and Assistance to the Newly Independent States of the Former Soviet Union (50800-1-HQ)	\$8,920,496	\$1,959,656
	09/29/94	12. Evaluation of the Disaster Assistance Program (03600-50-Te)	\$0	\$0
	09/30/94	13. Optional Unit Determinations with Center Pivot Irrigation System and Continuous Planting Patterns (05099-59-Te)	\$138,405	\$138,405
FCS	02/28/94	14. Issues Identified During Audit of FNS' Fiscal Year 1992 Financial Statements (27070-6-Hy)*	\$154,555,957	\$154,555,957
	09/29/94	15. Mathematica Policy Research, Inc. - Final Procurement Determined Indirect Rates and Direct Costs for the Fiscal Years Ended December 31, 1990 and 1991 (27545-80-Hy)	\$146,642	\$146,642
RHCDS	09/30/93	16. Payment of Losses on Guaranteed Farmer Program Debt Writedowns (04600-14-Te)*	\$4,587,953	\$4,556,541
	09/30/94	17. Rural Rental Housing Program Management Operations (04600-47-Ch)	\$918,059	\$918,059

Agency	Date Issued	Title of Report	Total Dollar Value at Issuance	Amount With No Mgmt. Decision
	09/30/94	18. Servicing Delinquent Farmer Program Accounts (04600-25-Te)	\$222,498,627	\$902,188

### Audits Pending Judicial, Legal or Investigative Proceeding

CFSA	03/13/91	19. Insurance Contracts with Large Indemnity Payment Adjusted by Crop Hail Management (05600-3-Te)*	\$122,588	\$105,667
	07/16/92	20. Soybean Losses in Three Arkansas Counties for 1988 and 1989 (05099-55-Te)*	\$110,312	\$110,312
	09/30/93	21. Disaster Program, Nonprogram Crops, Mitchell County, Georgia (03097-2-At)*	\$5,273,795	\$1,482,759
	01/31/94	22. Crop Insurance Sales and Indemnity Payment, Mitchell County, Georgia (05099-22-At)	\$88,631	\$88,631
	04/07/94	23. Audit of Emergency Conservation Measures in Texas (03099-161-Te)	\$152,941	\$124,022
FS	10/27/92	24. Historic Aircraft Exchange Program (08097-2-At)*	\$35,260,665	\$1,079,189
RBCDS	09/30/93	25. Business and Industrial Loan Program - Loan Servicing (32676-1-SF)*	\$0	\$0

\*Reported in last semiannual report.



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

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

A partnership we reviewed 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. CFSA National Office officials initially advised us that they agreed with the finding. However, this was subsequently reversed. We are currently working with them to reach management decision.

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

Two of the partnerships we reviewed did not conduct farming operations as presented to the county committees. Consequently, they received excessive production adjustment program payments. 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. Also, two of the four partners in the Cascade County partnership maintained negative account balances, which made their claimed shares not commensurate with their contributions. We are working with CFSA National Office staff to reach management decision.

### **3. 1991 Maximum Payment Limitation, State of Arizona, Issued June 16, 1993**

We determined that a producer had evaded payment limitation provisions in 1991 and 1992 through the use of a scheme or device. CFSA State officials initially agreed with our finding, but the State Committee disagreed. We are working with the CFSA National Office staff to reach a management decision.

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

We recommended that CFSA 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 CFSA has developed written policies and procedures regarding the adjusted world price calculation process, they did not detail (1) data collection methods for valuing broken rice kernels, (2) requirements for documenting and periodically validating the adjusted world price determination process, and (3) steps for adjusting the formula when values change. OIG is evaluating CFSA's position with the intent to elevate it to the Under Secretary for Farm and Foreign Agricultural Services.

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

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

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

We recommended that the facility security classifications for CFSA's (formerly ASCS') Kansas City Management Office, State Offices' and county offices' computer systems be revised to reflect the current operating environment. We also recommended tightening security over telecommunications and obtaining security clearances for selected employees. CFSA officials advised OIG that neither the new organizational structure nor the type of equipment have been finalized. In addition, they oppose obtaining background checks for employees responsible for administration of field office computer operations. We are in the process of preparing a paper for discussion with the CFSA Administrator and Under Secretary for Farm and Foreign Agricultural Services.

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

We recommended CFSA shift more of the risk from the Government to reinsured companies through restructure of the standard reinsurance agreement and Bulletin MGR-001. CFSA staff is currently working on MGR-001. Regarding the standard reinsurance agreement, CFSA maintained essentially the same risk for loss as currently stated in the 1994 Standard Reinsurance Agreement. However, CFSA increased the underwriting gains to be retained by the reinsured companies. We will continue to seek resolution on this issue.

**8. Upland Cotton User Marketing Certificate, Issued July 1, 1994**

CFSA officials have neither satisfactorily responded nor provided suitable alternatives to the recommendations in this report, but are in the process of developing another response. The recommendations address program abuses occurring under the forward contracting and payment rate setting provisions of this program. If we are still unable to reach agreement, the recommendations will be elevated to the Under Secretary for Farm and Foreign Agricultural Services for decision.

**9. Marketing Loan Program Objectives and Accomplishments, Issued July 12, 1994**

We recommended that CFSA staff revise cotton program regulations to determine marketing loan redemption rates based on domestic rather than world cotton prices and seek a legislative change to do the same in the rice program. We also recommended that they revise regulations to stop automatically paying accrued storage on cotton and be consistent with the treatment of other crops. We have expressed our concerns to the Under Secretary for Farm and Foreign Agricultural Services. CFSA staff is now drafting an additional response. If we are unable to reach agreement, the outstanding recommendations will be elevated to the Under Secretary for resolution.

**10. Wool and Mohair Payment Limitation, Terrell County, Texas, Issued August 19, 1994**

CFSA staff determined that a family group adopted a scheme or device to evade the Wool and Mohair Program's payment limitation. We are currently working with them to resolve the remaining dollar amount with no management decision.

**11. Evaluation of Controls Over Food and Assistance to the Newly Independent States of the Former Soviet Union, Issued September 21, 1994**

We have informed CFSA staff of the information needed to reach management decision and continue to work with them to resolve outstanding issues.

**12. Evaluation of the Disaster Assistance Program, Issued September 29, 1994**

We reported that legislative and program requirements were not sufficient to ensure the propriety of disaster payments for nonprogram crops. This allowed producers to earn more in a disaster year than they earned in a normal year. Projected sales for some producers were greater than their sales history showed they were capable of earning. We found problems in the following areas: Unrealistic income, disproportionate investment, poor farming practices, unrealistic production, unreported production, weak penalties, and unnoticed trends. CFSA needs legislative authority to reduce payment rates for costs of production that are not incurred, and it needs to adjust rates based on the quality of producers' operations. CFSA officials have responded promptly and positively to address the problems identified. However, we are still working with them on final resolution of the individual recommendations.

**13. Optional Unit Determinations with Center Pivot Irrigation System and Continuous Planting Patterns, Issued September 30, 1994**

Optional unit determinations, based on crop practices (irrigated and nonirrigated) and located on farms where the center pivot irrigated system was being used, were found to be in violation of planting pattern requirements. We recommended recovery of \$127,027 in overpaid indemnities, \$3,451 in overpaid administrative expenses and correction of cited underpayment and overcollection of premiums. The agency is working to process the claims and expects to make the final determinations by the end of April 1995. Management decisions cannot be reached until the agency books the receivables.

**14. Issues Identified During Audit of FNS' Fiscal Year 1992 Financial Statements, Issued February 28, 1994**

FCS officials are in the process of making regulatory proposals concerning improvements in Food Stamp Program claims processing and management. We are working with them to reach management decision.

**15. Mathematica Policy Research, Inc. - Final Procurement Determined Indirect Rates and Direct Costs for the Fiscal Years Ended December 31, 1990 and 1991, Issued September 29, 1994**

FCS and the contractor are in negotiations over the final payment.

**16. Payment of Losses on Guaranteed Farmer Program Debt Writedowns, Issued September 30, 1993**

RHCDS staff erroneously paid loss payments to 89 percent of the borrowers we reviewed because they did not have an effective system to preclude or detect errors in computing cash-flow projections, net recovery values, present value of the payments for restructured loans, and the loss amounts. We recommended RHCDS recover over \$4.5 million. We also recommended that program staff review loss payments from January 1, 1992, until the implementation of our recommendations, clarify regulations over the application of loss to principal before interest, and develop a loss report form for guaranteed loan writedowns. RHCDS management has completed its review of the cases, but the collection process has not yet been initiated.

**17. Rural Rental Housing Program - Management Operations, Issued September 30, 1994**

We found 13 management companies that misused project funds totaling \$918,059. A significant amount of the misused funds was attributed to related party company transactions. The misused funds included unallowable and unsupported charges such as: salary and overhead expenses related to management company operations; improper markups added to actual costs incurred; expenses related to non-RRH projects; personal expenses; and holiday bonuses, gifts, and parties. We recommended that RHCDS staff develop controls to monitor the reasonableness of costs charged

by related party companies that provide services, supplies, or materials to RRH projects. We are continuing to work with them on this matter.

**18. Servicing Delinquent Farmer Program Accounts, Issued September 30, 1994**

We found that RHCDS staff made improper servicing decisions for borrowers who were approved for net recovery buyouts. As a result of these decisions, eight borrowers were approved for unauthorized benefits (excess writedowns and writeoffs) totaling \$902,188. We recommended that the agency review the borrowers cited in the report, and in consultation with OGC, take appropriate action to recover the unauthorized benefits. Program management agreed and its review is underway.

**19. 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 has been referred to the U.S. attorney for prosecutive determination. Management decision cannot be reached until criminal action is complete.

**20. 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. Management decision is pending prosecutive determination by the U.S. attorney.

**21. 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. County staff accepted the inaccurate information even though, in many cases, other data was readily available that would have shown inaccurate information was provided. CFSA officials agreed with our recommendations. However, claims cannot be established until all investigation and/or court actions are completed.

**22. Crop Insurance Sales and Indemnity Payment, Mitchell County, Georgia, Issued January 31, 1994**

We identified an individual actively selling Federal crop insurance without a State license. Additionally, one producer received an improper indemnity payment of \$88,631 as a result of incorrectly reporting his production. Several of these matters are under investigation by OIG. Management decision is pending completion of the investigation.

**23. Audit of Emergency Conservation Measures in Texas, Issued April 7, 1994**

We reported that four producers received ineligible cost shares of about \$123,000 because they used a scheme or device to evade payment limitation provisions of the program. These sampled producers also falsely reported the practice costs used to compute the cost-share payments and did not report contributions made by others. Three other producers were overpaid \$18,000 because cost shares were paid for restoration of a cattle corral and dikes along the river, both ineligible cost-share items. The false certification issues are being considered for civil action by the U.S. attorney. No action can be taken by CFSA until a decision is made.

**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 charging costs associated with cost of the aircraft they traded in against future firefighting contracts. The U.S. Department of Justice is investigating these issues. No action can be taken until the investigation is complete.

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

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

## Indictments and Convictions

Between October 1, 1994, and March 31, 1995, OIG completed 471 investigations. We referred 406 cases to Federal, State, and local prosecutors for their decision.

During the reporting period, our investigations led to 473 indictments and 420 convictions. The period of time to obtain court action on an indictment varies widely; therefore, the 420 convictions do not necessarily relate to the 473 indictments. Fines, recoveries/collections, administrative penalties, restitution and claims established resulting from our investigations totaled about \$16.2 million. Costs of about \$1.0 million were avoided.

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

### Indictments and Convictions October 1, 1994 - March 31, 1995

Agency	Indictments	Convictions*
AMS	1	1
APHIS	11	6
ARS	1	1
ASCS	27	31
FAS	0	0
FCIC	8	12
FGIS	0	2
FmHA	13	22
FNS	393	333
FS	1	5
FSIS	9	4
MULTI	5	0
OICD	0	1
OIG	1	0
PSA	1	1
RDA	1	0
REA	1	0
SCS	0	1
Totals	<u>473</u>	<u>420</u>

\* This category includes pretrial diversions.

## The OIG Hotline

The OIG Hotline serves as a national receiving point for reports from both employees and the general public of suspected incidents of fraud, waste, mismanagement and abuse in USDA programs and operations. During this reporting period, the OIG Hotline received 2,626 calls and letters. These contacts included allegations of participant fraud, employee misconduct, and mismanagement, as well as opinions about USDA programs. Figure 8 displays the volume and type of the various calls and letters we received and Figure 9 displays the disposition of those complaints.

Figure 8

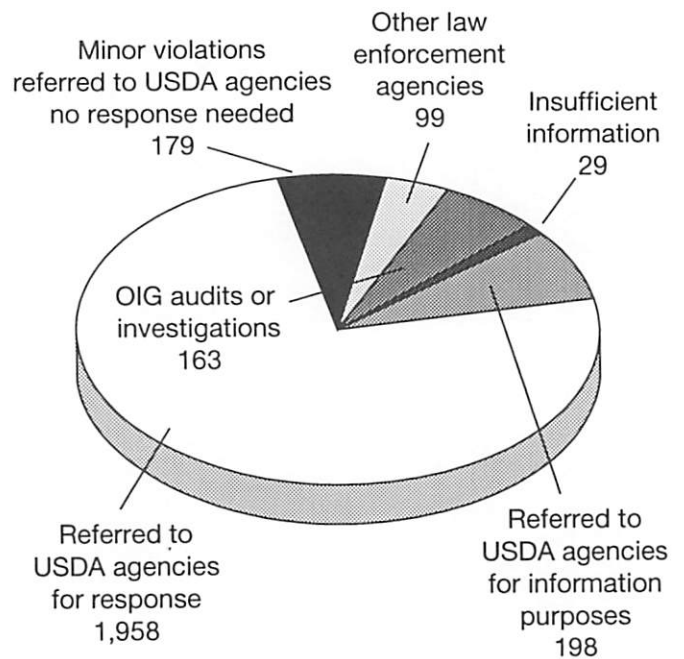
### Hotline Complaints October 1, 1994 to March 31, 1995

(Total = 2,626)



Figure 9

### Disposition of Complaints October 1, 1994 to March 31, 1995



**Freedom of Information Act (FOIA) and Privacy Act Requests (PA)  
for the period October 1, 1994 to March 31, 1995**

**Number of FOIA/PA Requests Received** 332

**Number of FOIA/PA Requests Processed** 336

Number of Requests Granted in Full 166

Number of Requests Granted in Part 103

Number of Requests Not Granted 67

**Reasons for Denial:**

No Records Available 23

Requests Denied in Full 33

Referrals 11

**Requests for OIG Reports from Congress  
and Other Government Agencies**

Received 49

Processed 50

**Appeals Processed** 8

Appeals Granted 0

Appeals Denied in Full 5

Appeals Denied in Part 3

**Number of OIG Reports Released** 409  
in Response to Requests

NOTE: A request may involve more than one report.

# Appendix I

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

### DOLLAR VALUES

	<u>NUMBER</u>	<u>QUESTIONED COSTS AND LOANS</u>	<u>UNSUPPORTED<sup>a</sup> COSTS AND LOANS</u>
A. FOR WHICH NO MANAGEMENT DECISION HAD BEEN MADE BY OCTOBER 1, 1994	58	\$477,058,592	\$6,753,928
B. WHICH WERE ISSUED DURING THIS REPORTING PERIOD	87	\$25,466,767	\$5,331,751
TOTALS	<u>145</u>	<u>\$502,525,359</u>	<u>\$12,085,679</u>
C. FOR WHICH A MANAGEMENT DECISION WAS MADE DURING THIS REPORTING PERIOD	68		
(1) DOLLAR VALUE OF DISALLOWED COSTS			
RECOMMENDED FOR RECOVERY		\$12,666,614	\$1,064,774
NOT RECOMMENDED FOR RECOVERY		\$40,772,520	\$426,360
(2) DOLLAR VALUE OF COSTS NOT DISALLOWED		\$6,243,987	\$1,378,547
D. FOR WHICH NO MANAGEMENT DECISION HAS BEEN MADE BY THE END OF THIS REPORTING PERIOD	77	\$443,294,940	\$9,220,984
REPORTS FOR WHICH NO MANAGEMENT DECISION WAS MADE WITHIN 6 MONTHS OF ISSUANCE	18	\$424,214,564	\$4,000,001

<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, 1994	20	\$1,847,121,028
B. WHICH WERE ISSUED DURING THE REPORTING PERIOD	16	\$8,243,070
TOTALS	<u>36</u>	<u>\$1,855,364,098</u>
C. FOR WHICH A MANAGEMENT DECISION WAS MADE DURING THE REPORTING PERIOD	15	
(1) DOLLAR VALUE OF DISALLOWED COSTS		\$244,045,774
(2) DOLLAR VALUE OF COSTS NOT DISALLOWED		\$116,892,193
D. FOR WHICH NO MANAGEMENT DECISION HAS BEEN MADE BY THE END OF THE REPORTING PERIOD	21	\$1,494,443,784
REPORTS FOR WHICH NO MANAGEMENT DECISION WAS MADE WITHIN 6 MONTHS OF ISSUANCE	8	\$1,486,287,969

# Appendix III

## SUMMARY OF AUDIT REPORTS RELEASED BETWEEN OCTOBER 1, 1994 and MARCH 31, 1995

DURING THE 6-MONTH PERIOD BETWEEN OCTOBER 1, 1994 AND MARCH 31, 1995, THE OFFICE OF INSPECTOR GENERAL ISSUED 175 AUDIT REPORTS.

THE FOLLOWING IS A SUMMARY OF THOSE AUDITS BY AGENCY:

AGENCY	AUDITS RELEASED	QUESTIONED COSTS AND LOANS	UNSUPPORTED <sup>a</sup> COSTS AND LOANS	FUNDS BE PUT TO BETTER USE
AGRICULTURAL MARKETING SERVICE	2	\$1,345,235	\$990,362	
AGRICULTURAL RESEARCH SERVICE	2			\$5,366
ANIMAL AND PLANT HEALTH INSPECTION SERVICE	3	\$138,757		\$1,436,423
CONSOLIDATED FARM SERVICE AGENCY	41	\$9,473,193		\$2,230,032
COOPERATIVE STATE RESEARCH, EDUCATION AND EXTENSION SERVICE	1	\$85,111	\$85,111	\$216,225
FOOD AND CONSUMER SERVICE	21	\$8,443,775	\$781,898	\$231,413
FOOD SAFETY AND INSPECTION SERVICE	1			
FOREIGN AGRICULTURAL SERVICE	2	\$35,252	\$35,252	
FOREST SERVICE	2			
NATURAL RESOURCES CONSERVATION SERVICE	2	\$834,370		\$147,912
OFFICE OF INFORMATION RESOURCES MANAGEMENT	3			
OFFICE OF OPERATIONS	1			\$244,985
OFFICE OF THE CHIEF FINANCIAL OFFICER	2			\$4,512
RURAL BUSINESS AND COOPERATIVE DEVELOPMENT SERVICE	3			\$3,200,000
RURAL HOUSING AND COMMUNITY DEVELOPMENT SERVICE	8	\$997,604	\$353,093	\$32,902
RURAL UTILITIES SERVICE	2			
MULTI-AGENCY	79	\$4,113,470	\$3,086,035	\$493,300
<b>TOTALS</b>	<b>175</b>	<b>\$25,466,767</b>	<b>\$5,331,751</b>	<b>\$8,243,070</b>
TOTAL COMPLETED UNDER CONTRACT <sup>b</sup>	8			
TOTAL SINGLE AUDITS 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, 1994 AND MARCH 31, 1995**

AUDIT NUMBER RELEASE DATE	TITLE	QUESTIONED COSTS AND LOANS	UNSUPPORTED COSTS AND LOANS	FUNDS BE PUT TO BETTER USE
<b>AGRICULTURAL MARKETING SERVICE</b>				
01-099-0026-AT 94/12/08	PESTICIDE DATA/RECORDKEEPING PROGRAMS	\$990,362	\$990,362	
01-099-0057-SF 94/12/15	SHIPPING POINT INSPECTION PROGRAM - STATE OF CALIFORNIA	\$354,873		
TOTAL: AGRICULTURAL MARKETING SERVICE		<u>2</u> \$1,345,235	<u>\$990,362</u>	
<b>AGRICULTURAL RESEARCH SERVICE</b>				
02-545-0011-SF 94/10/03	INCURRED COSTS AUDIT - HONG WEST & ASSOCIATES LYNWOOD, WA			\$5,366
02-545-0019-AT 94/11/04	JONES OPERATIONS AND MAINTENANCE COMPANY - INCURRED COST FOR FY 1990 AND MAAR FOR FY '94			
TOTAL: AGRICULTURAL RESEARCH SERVICE		<u>2</u>		<u>\$5,366</u>
<b>CONSOLIDATED FARM SERVICE AGENCY</b>				
03-099-0095-CH 95/03/03	PROGRAM OPERATIONS, SIBLEY COUNTY, MN	\$6,141		
03-099-0153-AT 95/01/18	DISASTER ASSISTANCE PAYMENTS - AUTAUGA COUNTY AL	\$529,138		\$90,832
03-099-0156-AT 95/01/23	DISASTER ASSISTANCE PAYMENTS - ALACHUA COUNTY FL	\$405,246		
03-099-0157-AT 95/01/19	DISASTER ASSISTANCE PROGRAM - GENEVA COUNTY, AL	\$1,667,814		
03-099-0158-AT 95/03/02	DISASTER ASSISTANCE PAYMENTS, JACKSON COUNTY, FL	\$359,265		
03-099-0160-AT 95/03/02	DISASTER ASSISTANCE PAYMENTS - HOLMES COUNTY, FL	\$408,077		
03-099-0177-KC 95/03/16	FARM RECONSTITUTIONS	\$81,905		
03-099-0177-TE 95/03/23	WOOL AND MOHAIR PAYMENT LIMITATION, TULARE AND IMPERIAL COUNTIES, CA	\$303,649		
03-099-0184-KC 95/03/29	1993 CROP DISASTER PAYMENTS IN WALSH COUNTY, ND	\$9,997		
03-099-0185-KC 94/12/13	1993 CROP DISASTER PAYMENTS IN PLATTE COUNTY, MO	\$132,492		
03-099-0186-KC 95/02/23	1993 CROP DISASTER PAYMENTS IN DAY COUNTY, SD	\$5,658		
03-099-0190-KC 95/02/23	1993 CROP DISASTER PAYMENTS IN SANBORN COUNTY SD	\$101		
03-099-0191-KC 95/03/23	1993 CROP DISASTER PAYMENTS IN ST. LOUIS, COUNTY, MO	\$412,455		
03-099-0194-KC 95/03/29	1993 CROP DISASTER PAYMENTS IN GRAND FORKS COUNTY, ND	\$232,856		
03-545-0009-AT 95/02/09	PEANUT PRICE SUPPORT PROGRAM, GFA PEANUT ASSOCIATION, CAMILLA, GA, CROP YEAR 1993			
03-545-0023-HY 94/10/11	INFORMATION MANAGEMENT CONSULTANTS INDIRECT COST RATE			
03-600-0020-CH 94/11/03	1993 CROP DISASTER PAYMENTS - WISCONSIN	\$105,252		
03-600-0021-CH 94/12/22	1993 CROP DISASTER PAYMENTS - MINNESOTA	\$117,225		
03-600-0022-CH 94/10/24	1993 CROP DISASTER PAYMENTS - MICHIGAN	\$112,553		

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03-600-0023-SF 94/11/30	DISASTER ASSISTANCE PAYMENTS-1993 NONPROGRAM CROPS - YUMA COUNTY	\$101,709		
03-600-0026-SF 95/03/31	DISASTER ASSISTANCE PROGRAM - 1993 NONPROGRAM CROPS - YUBA COUNTY, CA	\$484,972		
03-600-0027-SF 95/01/24	DISASTER ASSISTANCE PROGRAM - 1993 NONPROGRAM CROPS - CANYON COUNTY, ID	\$110,663		
03-600-0028-SF 95/03/30	DISASTER ASSISTANCE PROGRAM - 1993 NONPROGRAM CROPS - MALHEUR COUNTY, OR	\$547,753		
03-600-0029-SF 95/03/27	DISASTER ASSISTANCE PROGRAM - 1993 NONPROGRAM CROPS - BUTTE COUNTY, CA	\$158,776		
03-600-0030-SF 94/12/09	DISASTER ASSISTANCE PROGRAM - 1993 NONPROGRAM CROPS - COLUSA COUNTY, CA	\$10,523		
03-600-0044-TE 95/03/31	1993 CROP DISASTER PAYMENTS - BRADLEY CO. AR.	\$1,310,518		
03-600-0046-TE 95/03/31	1993 CROP DISASTER PAYMENTS - LINCOLN CO, AR	\$1,044,899		
03-600-0047-TE 95/03/28	1993 CROP DISASTER PAYMENTS - ATASCOSA CO., TX	\$281,019		
03-600-0051-TE 95/03/21	1993 CROP DISASTER PAYMENTS - CONCORDIA PARISH, LA	\$118,004		
03-600-0053-TE 95/02/10	1993 CROP DISASTER PAYMENTS, CATAHOULA PARISH, LA	\$896		
03-800-0002-TE 95/02/28	EFFECT OF 90-DAY RULE ON CFSA PAYMENTS			\$2,139,200
03-800-0004-TE 94/12/13	EVALUATION OF MAXIMUM PAYMENT LIMITATION PROCEDURES - 1994			
04-099-0136-KC 94/12/07	GRAZING ASSOCIATION PROGRAM PARTICIPATION	\$32,234		
04-099-0138-KC 94/11/10	SERVICING OF GRAZING ASSOCIATIONS IN NEBRASKA	\$181,325		
04-099-0334-AT 95/01/27	DEBT COLLECTION PROCEDURES			
04-600-0046-CH 94/12/19	ELIGIBILITY DETERMINATIONS FOR EMERGENCY LOANS - WISCONSIN	\$56,290		
04-600-0048-CH 95/03/31	ELIGIBILITY DETERMINATIONS FOR EMERGENCY LOANS - ILLINOIS	\$45,830		
05-099-0108-KC 95/03/31	CROP INSURANCE CLAIMS ANALYSIS	\$84,342		
05-600-0009-HQ 95/01/31	FY94 FCIC FINANCIAL STATEMENTS			
05-600-0010-HQ 95/03/22	FY94 FCIC MANAGEMENT ISSUES			
50-099-0007-SF 95/03/28	PRODUCER PARTICIPATION IN CFSA/FCIC PROGRAMS- WASHINGTON	\$13,616		
TOTAL: CONSOLIDATED FARM SERVICE AGENCY		<u>41</u>	<u>\$9,473,193</u>	<u>\$2,230,032</u>
<b>RURAL HOUSING AND COMMUNITY DEVELOPMENT SERVICE</b>				
04-099-0090-HY 95/02/08	RURAL RENTAL HOUSING PROJECTS -SPECIAL REVIEW	\$984,161	\$353,093	
04-099-0104-SF 95/03/24	FINANCIAL STATEMENT AUDIT OF CITRUS MANOR DEVELOPMENT FOR THE YEAR ENDED 12/31/94			
04-099-0105-SF 95/03/30	FINANCIAL STATEMENT AUDIT OF PARKVIEW PROPERTIES FOR THE YEAR ENDED 12/31/94			

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04-099-0126-CH 95/01/20	RRH PROJECT OPERATIONS - JUSTUS PROPERTY MANAGEMENT, INC., IN	\$7,288		
04-099-0130-CH 95/02/17	RURAL RENTAL HOUSING PROGRAM - LIFE STYLE, INC. - MN	\$6,155		
04-400-0003-FM 95/03/30	FISCAL YEAR 1994 FMHA FINANCIAL STATEMENTS FINANCE OFFICE			
04-600-0045-CH 95/01/26	RURAL RENTAL HOUSING PROGRAM - RENTAL ASSISTANCE AND INTEREST CREDIT ACTIVITIES, WI			\$32,902
04-800-0003-AT 95/02/10	RURAL RENTAL HOUSING, MISSISSIPPI			
TOTAL: RURAL HOUSING AND COMMUNITY DEVELOPMENT SERVICE		<u>8</u> \$997,604	<u>\$353,093</u>	<u>\$32,902</u>
<b>COOPERATIVE STATE RESEARCH, EDUCATION AND EXTENSION SERVICE</b>				
06-545-0001-AT 95/03/23	INDIRECT COST RATE FOR DELTA TEACHER'S ACADEMY	\$85,111	\$85,111	\$216,225
TOTAL: COOPERATIVE STATE RESEARCH, EDUCATION AND EXTENSION SERVICE		<u>1</u> \$85,111	<u>\$85,111</u>	<u>\$216,225</u>
<b>FOREIGN AGRICULTURAL SERVICE</b>				
07-800-0001-HY 95/03/31	EVALUATION OF THE USE OF MPP FUNDS IN MOSCOW- U.S. WHEAT ASSOCIATES	\$35,252	\$35,252	
07-800-0002-HY 95/03/13	REVIEW OF TITLE I P.L. 480 PROGRAM			
TOTAL: FOREIGN AGRICULTURAL SERVICE		<u>2</u> \$35,252	<u>\$35,252</u>	
<b>FOREST SERVICE</b>				
08-099-0136-SF 94/10/14	FS MAINTENANCE OF DEVELOPED RECREATION SITES			
08-600-0003-SF 94/11/03	LAND EXCHANGES			
TOTAL: FOREST SERVICE		<u>2</u>		
<b>RURAL UTILITIES SERVICE</b>				
09-600-0012-HQ 95/03/14	FY94 REA/RTB FINANCIAL STATEMENTS			
09-600-0013-HQ 95/03/14	FY94 RTB FINANCIAL STATEMENTS			
TOTAL: RURAL UTILITIES SERVICE		<u>2</u>		

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AUDIT NUMBER RELEASE DATE	TITLE	QUESTIONED COSTS AND LOANS	UNSUPPORTED COSTS AND LOANS	FUNDS BE PUT TO BETTER USE
<b>NATURAL RESOURCES CONSERVATION SERVICE</b>				
10-099-0001-CH 95/03/09	CONSERVATION RESERVE PROGRAM - ELIGIBILITY DETERMINATIONS			
50-600-0011-KC 95/03/31	COLORADO RIVER SALINITY CONTROL PROGRAM	\$834,370		\$147,912
TOTAL: NATURAL RESOURCES CONSERVATION SERVICE		<u>2</u>	<u>\$834,370</u>	<u>\$147,912</u>
<b>OFFICE OF THE CHIEF FINANCIAL OFFICER</b>				
11-545-0001-HY 94/12/20	YORK TELECOM CO. - PREAWARD AUDIT			\$4,512
11-600-0003-FM 95/03/13	FISCAL YEAR 1994 GENERAL CONTROLS AUDIT			
TOTAL: OFFICE OF THE CHIEF FINANCIAL OFFICER		<u>2</u>		<u>\$4,512</u>
<b>OFFICE OF OPERATIONS</b>				
23-545-0018-HY 95/03/22	SECTION 8(A) CONTRACT REVIEW - A.B. FLOYD ENTERPRISES, INC.			\$244,985
TOTAL: OFFICE OF OPERATIONS		<u>1</u>		<u>\$244,985</u>
<b>FOOD SAFETY AND INSPECTION SERVICE</b>				
24-800-0001-AT 94/11/30	THE MEAT AND POULTRY INSPECTION PROGRAM			
TOTAL: FOOD SAFETY AND INSPECTION SERVICE		<u>1</u>		
<b>FOOD AND CONSUMER SERVICE</b>				
27-009-0001-HY 95/02/21	NATIONAL COMMODITY PROCESSING-SPECIAL REQUEST	\$513,647		
27-013-0079-SF 94/10/03	FOOD STAMP PROGRAM-DEPT. OF PUBLIC HEALTH AND SOCIAL SVCS., GOVERNMENT OF GUAM	\$646,028		
27-016-0005-HY 95/03/10	FSP CASEFILE DOCUMENTATION/NYC	\$2,930,673		
27-023-0200-CH 95/02/16	NATIONAL SCHOOL LUNCH PROCUREMENT ACTIVITIES IN GARY, IN	\$90,000		\$78,729
27-023-0256-TE 94/12/14	NSLP/SBP OPERATIONS, WEWOKA PUBLIC SCHOOLS, WEWOKA, OK	\$628,253	\$623,997	
27-031-0001-KC 94/10/25	WIC ADMINISTRATIVE COSTS	\$31,222		
27-031-0002-SF 94/11/30	WIC ADMINISTRATIVE COSTS - STATE OF WASHINGTON	\$24,020		
27-031-0026-AT 95/01/19	WIC ADMINISTRATIVE COSTS	\$235,396		
27-031-0042-TE 95/02/23	WIC ADMINISTRATIVE COSTS	\$243,281		\$11,948
27-070-0009-HY 94/10/26	FCS FY 1993 MANAGEMENT LETTER			

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27-097-0006-AT 94/10/24	BELL COUNTY SCHOOL SYSTEM, PINEVILLE, KY	\$56,094	\$31,256	
27-099-0005-KC 94/12/20	RECONCILIATION OF WIC FOOD INSTRUMENTS PROCESSED BY NONFEDERAL ADP SYSTEMS			
27-099-0030-SF 95/01/24	NATIONAL SCHOOL LUNCH PROGRAM - MEAL ACCOUNT- ABILITY SYSTEMS - CALIFORNIA	\$10,167	\$10,167	
27-545-0081-HY 95/03/07	INCURRED COST AUDIT - ABT ASSOCIATES, INC.			\$117,802
27-600-0004-HY 95/02/03	FOOD STAMP PROGRAM - ADMINISTRATIVE COST PENNSYLVANIA DEPT. OF PUBLIC WELFARE	\$2,893,516		
27-600-0006-AT 95/03/31	CACFP - DAY CARE HOMES			
27-600-0010-SF 95/02/28	FOOD STAMP PROGRAM - ADMINISTRATIVE COSTS			
27-600-0011-SF 94/12/28	FOOD STAMP PROGRAM - ERROR RATE REDUCTION			
27-600-0018-CH 95/01/13	WIC PROGRAM ADMINISTRATIVE COSTS	\$25,000		
27-800-0001-AT 95/02/02	SCHOOL BREAKFAST PROGRAM STARTUP FUNDS	\$116,478	\$116,478	\$22,934
27-800-0001-TE 94/12/02	TEXAS FOOD STAMP PROGRAM FLOOD DISASTER RECOVERY			
TOTAL: FOOD AND CONSUMER SERVICE		<u>21</u>	<u>\$8,443,775</u>	<u>\$781,898</u>
<b>RURAL BUSINESS AND COOPERATIVE DEVELOPMENT SERVICE</b>				
04-099-0123-CH 95/01/27	BUSINESS AND INDUSTRIAL LOAN PROGRAM - CHERRY HILL PROCESSING, INC., MI			\$3,200,000
04-800-0003-TE 94/12/06	BUSINESS AND INDUSTRIAL LOAN, PARKER WELL SERVICE, INC., DAYTON, TX			
32-600-0002-SF 95/02/27	B&I GUARANTEED LOAN PROGRAM - RESTRUCTURING LOAN PROCESSING AND SERVICING ACTIVITIES			
TOTAL: RURAL BUSINESS AND COOPERATIVE DEVELOPMENT SERVICE		<u>3</u>	<u>_____</u>	<u>_____</u>
<b>ANIMAL AND PLANT HEALTH INSPECTION SERVICE</b>				
33-545-0023-HY 95/02/03	PRE-AWARD AUDIT - ELLERBE BECKET			\$49,841
33-600-0001-AT 94/12/06	ASSESSMENT OF USER FEES	\$138,757		\$1,386,582
33-600-0001-CH 95/01/05	ENFORCEMENT OF THE ANIMAL WELFARE ACT			
TOTAL: ANIMAL AND PLANT HEALTH INSPECTION SERVICE		<u>3</u>	<u>\$138,757</u>	<u>\$1,436,423</u>
<b>MULTI-AGENCY</b>				
50-530-0001-HQ 95/02/03	REVIEW OF INFO SHARE			
50-530-0002-HQ 95/01/17	REVIEW OF INFO SHARE PROGRAM			
50-560-0002-HY 94/10/25	SOUTHSIDE DAY NURSERY ASSOCIATION, VA. A-133, SFYE 12/31/91	\$320		
50-560-0003-HY 94/10/25	SOUTHSIDE DAY NURSERY ASSOCIATION, VA. A-133, SFYE 12/31/92			

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50-561-0222-SF 95/01/25	A-133 AUDIT OF EXPORT ASSISTANCE CENTER FOR FISCAL YEAR ENDED 12/31/93	\$45,931	\$45,931	
50-561-0223-SF 95/03/20	A-133 AUDIT OF NORTHERN MARIANAS COLLEGE FOR FISCAL YEAR ENDED 09/30/91	\$171,116		
50-561-0224-SF 95/03/22	A-133 AUDIT OF UNIVERSITY OF HAWAII FOR TWO FISCAL YEARS ENDED 6/30/91 AND 6/30/92	\$1,758		
50-561-0225-SF 95/03/22	A-133 AUDIT OF UNIVERSITY OF HAWAII FOR FISCAL YEAR ENDED 06/30/93			
50-563-0216-AT 94/11/23	A-133, AUDIT OF MS STATE UNIVERSITY, FYE 6/30/93			
50-563-0217-AT 94/11/30	A-133, AUDIT OF AUBURN UNIVERSITY, AL FYE 9/30/93			
50-563-0218-AT 94/11/30	A-133, AUDIT OF THE UNIVERSITY OF MS, FYE 6/30/93			
50-563-0219-AT 95/01/27	A-133 AUDIT OF DELTA STATE UNIVERSITY, CLEVELAND, MS, FOR FYE 6/30/93			
50-563-0220-AT 95/01/27	A-133 AUDIT OF DUKE UNIVERSITY, DURHAM, NC, FOR FYE 6/30/94			
50-566-0018-TE 95/01/11	OMB CIRCULAR A-128, AUDIT OF AR FORESTRY COMMISSION FOR THE YEAR ENDED 06/30/93			
50-566-0030-KC 94/10/14	A-128 WY STATE LAND AND FARM LOAN OFFICE (2 FY'S 6/92) CHEYENNE, WY			
50-566-0032-SF 95/02/16	A-128 AUDIT OF CITY SAN JOSE FOR FISCAL YEAR ENDED 6/30/94			
50-566-0045-HY 95/01/26	PR DEPT OF AGRICULTURE A-128 SFYE 6/30/91	\$37,219		
50-567-0019-TE 94/12/22	A-133 AUDIT OF NATIONAL ASSOCIATION OF CONSERVATION DISTRICTS			
50-567-0036-HY 94/10/25	STATE OF NEW HAMPSHIRE DEPT. OF RESOURCES & ECONOMIC DEVELOPMENT	\$35,000		
50-568-0133-HY 94/10/14	STATE OF NEW JERSEY, A-128, SFYE 6/30/91	\$13,408		
50-568-0134-HY 94/10/14	CONNECTICUT DEPARTMENT OF EDUCATION, A-128 SFYE 6/30/90 AND 6/30/91	\$54,548		
50-568-0135-HY 94/10/19	STATE OF NEW HAMPSHIRE, A-128, SFYE 6/30/92			
50-568-0136-HY 94/10/21	STATE OF MARYLAND A-128, 6/30/92			
50-568-0137-HY 94/10/19	STATE OF NEW YORK, SINGLE AUDIT, A-128 SFYE-3/31/92			
50-568-0138-HY 95/01/04	COMMONWEALTH OF VIRGINIA A-128, 6/30/92	\$1,462,995	\$1,462,355	
50-568-0139-HY 94/12/12	COUNCIL OF HIGHER EDUCATION, UNIVERSITY OF PUERTO RICO, A-128, FYE 6/30/91	\$63,435		
50-568-0141-HY 94/12/22	ST REGIS MOHAWK TRIBE, NY, A-128, FYE 12/31/92			
50-568-0142-HY 95/01/04	UNIVERSITY OF PUERTO RICO, A-128, 6/30/89 & 90			
50-568-0143-HY 95/01/04	VILLAGE OF SHARON SPRINGS, NY, A-128, FYE 5/31/94			
50-568-0144-HY 95/01/04	TOWN OF PRATTSVILLE, NY, A-128, FYE 12/41/91			
50-568-0145-HY 95/01/06	TRI-BORO MUNICIPAL AUTHORITY A-128, FYE 12/31/91			
50-568-0146-HY 95/01/23	STATE OF CONNECTICUT SINGLE AUDIT A-128, FYE 6/30/93	\$1,515,651	\$1,402,557	
50-568-0147-HY 95/01/24	STATE OF MASSACHUSETTS SINGLE AUDIT A-128, FYE 6/30/93			
50-568-0148-HY 95/01/21	STATE OF MARYLAND SINGLE AUDIT A-128, FYE 6/30/93			



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50-568-0149-HY 95/01/23	COUNTY OF TOMKINS, NY, A-128, FYE 12/31/94	\$48,479		
50-568-0150-HY 95/01/25	STATE OF NEW JERSEY, STATE WIDE AUDIT A-128, FYE 6/30/92	\$161,220		
50-568-0152-HY 95/01/27	PLEASANT POINT PASSAMAQUODDY TRIBAL COUNCIL A-128, FYE9/30/93			
50-568-0153-HY 95/01/25	STATE OF NEW HAMPSHIRE, A-128, FYE - 6/30/93	\$78,879		
50-568-0193-TE 94/12/01	OMB CIRCULAR A-128, AUDIT OF THE STATE OF OKLAHOMA FOR THE YEAR ENDED JUNE 30, 1993			
50-568-0194-TE 95/01/17	OMB CIRCULAR A-128, AUDIT OF AR DEPT OF HUMAN SERVICES FOR THE YEAR ENDED06/30/93			
50-568-0195-TE 95/02/07	OMB CIRCULAR A-128, AUDIT OF NEW MEXICO, DEPT OF HEALTH FOR THE YEAR ENDED06/30/94			
50-568-0278-KC 95/01/17	A-128 SHOSONE TRIBE (FY 12/92) FT. WASHAKIE, WY	\$19,951	\$3,557	
50-568-0279-KC 95/01/11	A-128, UTE INDIAN TRIBE (FY9/92) FT DUCHESNE, UT			
50-568-0280-KC 95/01/18	A-128 CHEYENNE RIVER SIOUX TRIBE (FY9/93) EAGLE BUTTE, SD			
50-568-0281-KC 95/02/03	A-128, UTE MOUNTAIN UTE TRIBE (FY9/92) TOWAOC, CO			
50-568-0282-AT 94/11/07	A-128 AUDIT OF THE STATE OF GA, FYE 6/30/92			
50-568-0282-KC 95/03/07	A-128, STATE OF COLORADO (FY 6/93) DENVER, CO			
50-568-0283-AT 94/11/08	A-128 AUDIT OF TN, FYE 6/30/92			
50-568-0283-KC 95/03/09	A-128, STATE OF IOWA (FY 6/93) DES MOINES, IA	\$1,187		
50-568-0284-AT 94/11/09	A-128 AUDIT OF STATE OF MS, FYE 6/30/92			
50-568-0284-KC 95/03/15	A-128 STATE OF MISSOURI (FY 6/93) JEFFERSON CITY, MO	\$17,135		
50-568-0285-AT 94/11/10	A-128 AUDIT OF STATE OF NC, FYE 6/30/92			
50-568-0285-KC 95/02/13	A-128, STATE OF SOUTH DAKOTA (FY 6/92) PIERRE, SD	\$24,218	\$1,166	
50-568-0286-AT 94/12/15	A-128, AUDIT OF THE STATE OF FL, FYE 6/30/93	\$24,804		
50-568-0286-KC 95/02/06	A-128 WY DEPARTMENT OF FAMILY SERVICES (FY 6/92) CHEYENNE, WY			
50-568-0287-AT 94/12/22	A-128 AUDIT OF SOUTH CAROLINA, FOR FYE 6/30/93			
50-568-0287-KC 95/03/17	A-128 WINNEBAGO TRIBE OF NEBRASKA (FY9/93) WINNEBAGO, NE			
50-568-0288-AT 94/12/19	A-128 AUDIT OF THE STATE OF ALABAMA, FOR TWO FY'S ENDED9/30/92			
50-568-0584-SF 95/02/06	A-128 AUDIT OF STATE OF ARIZONA - STATEWIDE- FOR FISCAL YEAR ENDED 6/30/91			
50-568-0585-SF 95/01/11	A-128 AUDIT OF GUAM TELEPHONE AUTHORITY - FOR FISCAL YEAR ENDED9/30/93			
50-568-0586-SF 95/01/27	A-128 AUDIT OF GOVERNMENT OF GUAM - FOR FISCAL YEAR ENDED9/30/90	\$161,581	\$103,358	
50-568-0587-SF 95/01/19	A-128 AUDIT OF REPUBLIC OF PALAU - FOR FISCAL YEAR ENDED9/30/91	\$11,994	\$11,994	
50-568-0588-SF 95/01/10	A-128 AUDIT OF REPUBLIC OF PALAU - FOR FISCAL YEAR ENDED9/30/92	\$18,542	\$18,542	
50-568-0589-SF 95/01/25	A-128 AUDIT OF COMMONWEALTH OF NORTHERN MARIANAS - FOR FISCAL YEAR ENDED9/30/92	\$41,117		

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50-568-0590-SF 95/02/03	A-128 AUDIT OF COMMONWEALTH OF NORTHERN MARIANAS - FOR FISCAL YEAR ENDED 9/30/93	\$65,902		
50-568-0591-SF 95/02/09	A-128 AUDIT OF HAWAII - DEPARTMENT OF EDUCATION - FOR FISCAL YEAR ENDED 6/30/93	\$19,029	\$19,029	
50-568-0592-SF 95/02/13	A-128 AUDIT OF WASHINGTON STATEWIDE - FOR FISCAL YEAR ENDED 6/30/93	\$1,345	\$1,345	
50-568-0593-SF 95/02/09	A-128 AUDIT OF HAWAII - STATE DEPARTMENT OF HEALTH - FOR FISCAL YEAR ENDED 6/30/93			
50-568-0594-SF 95/02/09	A-128 AUDIT OF STATE OF OREGON - STATEWIDE - FOR FISCAL YEAR ENDED 6/30/93	\$505		
50-568-0595-SF 95/02/09	A-128 AUDIT OF HAWAII STATE DEPARTMENT OF HUMAN SERVICES FOR FISCAL YEAR ENDED 6/30/93			
50-568-0596-SF 95/02/15	A-128 AUDIT OF KING COUNTY, WASHINGTON FOR FISCAL YEAR ENDED 12/31/93			
50-568-0597-SF 95/02/21	A-128 AUDIT OF ALASKA STATEWIDE FOR FISCAL YEAR ENDED 6/30/93	\$13,056	\$13,056	
50-568-0598-SF 95/02/16	A-128 AUDIT OF STATE OF CALIFORNIA (STATEWIDE) - FOR FISCAL YEAR ENDED 6/30/92			
50-568-0599-SF 95/03/17	A-128 AUDIT OF STATE OF CALIFORNIA (STATEWIDE) - FOR FISCAL YEAR ENDED 6/30/93	\$1,660	\$1,660	
50-568-0600-SF 95/03/29	A-128 AUDIT OF UNIVERSITY OF IDAHO FOR 2-YEAR PERIOD ENDING 6/30/93	\$1,485	\$1,485	
50-568-0602-SF 95/03/16	A-128 AUDIT OF STATE OF NEVADA - STATEWIDE - FOR FISCAL YEAR ENDED 6/30/93			\$493,300
50-600-0015-FM 94/11/29	FISCAL YEAR 1993 USDA FINANCIAL STATE- MENTS MANAGEMENT ISSUES			
50-800-0001-AT 95/03/22	PCIE COORDINATED REVIEW OF GUARANTEED LOANS SEGMENT I - FOLLOWUP			
50-800-0003-AT 95/03/30	ALTERNATIVE AG. RESEARCH & COMMERCIALIZATION CENTER			
TOTAL: MULTI-AGENCY		<u>79</u>	<u>\$4,606,770</u>	<u>\$3,086,035</u>
<b>OFFICE OF INFORMATION RESOURCES MANAGEMENT</b>				
58-091-0001-FM 95/01/20	MANAGEMENT AND CONTROL OF SOFTWARE			
58-099-0024-FM 94/12/20	MANAGEMENT AND CONTROL OF NCC DASD			
58-600-0002-FM 95/03/29	REVIEW OF GENERAL CONTROLS AT THE OIRM'S NCC			
TOTAL: OIRM		<u>3</u>		
TOTAL: RELEASE - NATIONWIDE		<u>175</u>	<u>\$25,466,767</u>	<u>\$5,331,751</u>
				<u>\$8,243,070</u>

