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Office of Inspector General Semiannual Report to Congress

FY 2000—First Half

On the cover: The eagle is used for the symbol of our law enforcement initiative “Operation Talon.” It represents the Government swooping down to snatch fugitive felons off the streets. See inside for details of this highly successful initiative. U.S. Fish and Wildlife Service photo.

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

April 20, 2000

The 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 which ended March 31, 2000.

During this period, our audits and investigations yielded approximately $163 million in recoveries, collections, restitutions, fines, claims established, costs avoided, and administrative penalties. Further, management agreed to put more than $35 million to better use. We also identified nearly $29 million in questioned costs that cannot be recovered. In addition, our investigations produced 241 indictments and 208 convictions.

We are again reporting on several of our initiatives. OIG is intensifying an initiative to counteract smuggling of animals and plants that could endanger the Nation's food supply through the introduction of diseases and plant pests. Cases initiated under Operation "Kiddie Care" are yielding successful prosecutions and significant penalties. The number of arrests during Operation Talon has now topped 6,000. The recognition of that initiative's outstanding success was recently certified when the Operation Talon Task Force Teams won the Vice President's prestigious Hammer Award for making Government work better and achieving results Americans care about.

Once more, I extend my appreciation to you, the Deputy Secretary, and the Congress for your support in furthering our mutual efforts to improve the integrity and efficiency of the Department's programs and operations.

Sincerely,

Roger C. Viadero

ROGER C. VIADERO
Inspector General

Enclosure

Contents

Executive Summary

This is the 43rd Semiannual Report of 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, 1999, through March 31, 2000.

In accordance with the requirements of the Inspector General Act, this report describes matters relating to the Department's programs and operations which occurred during the reporting period. These include significant problems, abuses, and deficiencies; significant recommendations for corrective action; prior significant recommendations unimplemented; prosecutorial referrals; information or assistance refused; a list of audit reports; a summary of significant reports; tables on questioned costs and funds to be put to better use; previous audit reports unresolved; significant revised management decisions; any significant management decision disagreements; and a review of legislation and regulations.

Monetary Results

During this reporting period, we issued 59 audit and evaluation reports and reached management decisions on 47. Based on this work, management officials agreed to recover $36.9 million and to put an additional $35.1 million to better use.

We also issued 253 reports of investigation during this period. Our investigative efforts resulted in 241 indictments, 208 convictions, and approximately $126.4 million in recoveries, fines, restitutions, claims established, cost avoidance, and administrative penalties.

Ongoing Initiatives

In Operation "Kiddie Care," OIG has been working closely with the Food and Nutrition Service (FNS) concerning needed regulatory and legislative changes for the Child and Adult Care Food Program (CACFP) recommended in our August 1999 audit report. Twenty-six sponsors receiving over $46.7 million annually in food and administrative funds have been terminated from CACFP. Sixty individuals have been charged with crimes, with 45 found guilty and 37 sentenced. In a Michigan case previously reported, the president of a multicenter day care operation was sentenced to 9 years in prison, followed by 3 years' supervised release, and was ordered to pay $13.5 million in restitution, a $10 million fine, and a special assessment of $3,150.

As of March 31, 2000, Operation Talon had resulted in 6,007 arrests of fugitive felons during joint OIG, State, and local law enforcement operations. The recognition of that initiative's outstanding success was recently certified when OIG won the Vice President's prestigious Hammer Award for making Government work better and achieving results Americans care about.

Investigative Efforts

In a public corruption investigation in New York City, nine Agricultural Marketing Service (AMS) employees, responsible for grading the quality of fruit and vegetables, pled guilty to bribery. In addition, 15 owners or employees of produce wholesalers, located at the Hunts Point Market in the Bronx, were indicted on bribery charges. Seven of the wholesalers have pled guilty.

We conducted a number of workplace violence investigations. An Oklahoma landowner was found guilty by a Federal jury of assault of a Government employee and second-degree murder after he shot and killed his neighbor, who was assisting a Natural Resources Conservation Service (NRCS) district conservationist. In North Carolina, OIG agents arrested a Farm Service Agency (FSA) borrower for threatening to kill an FSA farm loan manager. In California, an individual was sentenced to 1 year in Federal prison and 3 years' supervised release after he was convicted of threatening Food Safety and Inspection Service (FSIS) Compliance officers. The owner of a custom meat slaughter business in upstate New York signed a pretrial diversion agreement in U.S. District Court for committing an assault against an FSIS Compliance officer. A farmer possessing numerous weapons, who repeatedly wrote letters to the Secretary threatening deadly force against him or any other Government employee who attempted to foreclose on his farm, was arrested by OIG special agents, confined to a medical facility for 15 months, and later sentenced to time served after he pled guilty to threatening a Government official.

The owner of several cotton warehouses was indicted for his scheme to defraud approximately 140 cotton farmers in Georgia and South Carolina. Congress awarded a special appropriation of $5 million to be matched by the States as reimbursement for the losses sustained by the farmers. Approximately $9 million has been paid to farmers for the losses they incurred when this man stole their cotton.

A former eligibility counselor with the Tennessee Department of Human Services pled guilty to mail fraud and was sentenced to serve 18 months in a Federal prison, followed by 2 years' supervised release, and ordered to pay restitution of $217,000. She had created six fictitious recipient case files and had the benefits mailed to herself.

A U.S. District Court judge issued a $71 million summary judgment against two prominent Cleveland, Ohio, area businessmen, who currently are fugitives, for illegally trafficking in food stamps and Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) vouchers. The businessmen's attorney made an out-of-court settlement, under which the attorney and his law firm paid the Government $275,000 for their involvement in the fraud.

In New Hampshire, an investigation determined that a multinational corporation based in Munich, Germany, submitted false Confidential Statements of Formula to FSIS to obtain food-grade approval for their lubricants, which are used in the food-processing industry, and violated provisions of the Toxic Substance Control Act. The company was placed under pretrial supervision for 18 months and will pay a total of $2.3 million.

Audit Efforts

We reviewed implementation of the State Option Food Stamp Program (SOFSP) in five States and identified internal control deficiencies, which required corrective actions by FNS and the States reviewed. We issued management alerts to the four FNS regional offices, but their initial corrective actions were inconsistent. We recommended that FNS take immediate action to address the accounting and reporting deficiencies, issue clarifying guidance to State agencies, and recover invalid Food Stamp Program (FSP) expenditures.

We identified several weaknesses in the Store Tracking, Authorization, and Redemption Subsystem (STARS), used to monitor and identify unauthorized FSP payments to disqualified retailers. FNS has addressed certain problems and indicated that it intended to evaluate others as part of its redesign of systems in STARS II. For example, FNS has implemented new procedures for applicant data base searches in STARS, which appear to correct deficiencies related to verifying that applicants have not been disqualified previously from the program.

We found that the Animal and Plant Health Inspection Service (APHIS) should reevaluate the level of inspections in Florida. Our review of Plant Protection and Quarantine practices for inspecting air and ship cargos and passengers arriving in the Miami and Fort Lauderdale ports identified vulnerabilities and weaknesses, which increased the risk of prohibited agricultural products entering the United States. We made a series of recommendations, including the assessment of penalties when warranted and the evaluation of higher fee rates for inspections to provide for sufficient staff and resources.

Our review disclosed that the Urban Resources Partnership (URP) program was initiated without specific statutory authority or congressional appropriations. In addition, cities/areas were not selected to participate in URP on a competitive basis, URP recipients did not always use funds to meet the purposes of the applicable statutes from which the appropriations were obtained, and the program did not include controls to ensure that award funds were used in accordance with applicable Federal regulations.

Systemic internal control deficiencies existed in the Virginia Rural Development State office administrative procurement operations regarding the purchase, authorization, and/or receipt of goods and services. As a result, miscellaneous payments of about $286,000 were unsupported due to one or more documentation errors, and 35 purchase orders, approximating $235,000, lacked supporting documentation. Certain questionable payments are under investigation.

As part of our continuing reviews, we found that the Office of Civil Rights (CR) remains an inefficient manager of both Equal Employment Opportunity (EEO) discrimination complaints and program complaints. We emphasized that CR needs to design and implement a long-term plan to ensure it can resolve complaints efficiently and with due care. We also urged CR to expedite implementation of a new EEO complaints tracking system and its installation of a new program complaints data base.

Our disclaimer of opinion for USDA's FY 1999 consolidated financial statements (and for the last 6 years) means that the Department, as a whole, does not know whether it correctly reported monies to be collected in total, how much money is collected, the cost of its operations, or any other meaningful measure of financial performance. The Department has recognized the need to improve its financial systems and created the Financial Information System Vision and Strategy Project Team to develop the financial systems, standards, and definitions necessary to implement the Department's new accounting system, the Foundation Financial Information System.

Our review disclosed material internal control weaknesses in the Office of the Chief Information Officer/National Information Technology Center (OCIO/NITC) security structure. Consequently, we issued a qualified opinion to OCIO/NITC in terms of controls over protection of the OCIO/NITC network, network security monitoring and intrusion detection, specified network security procedures, and access authorities for authorized users. OCIO agreed with all our recommendations and has initiated corrective actions.

Our ongoing audit work relating to information technology (IT) security in the Department identified a material internal control weakness. Departmental regulation requires that Privacy Act or sensitive data be encrypted if the information is sent over the Internet, but actions to implement and/or enforce this critical requirement have been limited. The Department could be vulnerable to inadvertent or deliberate disclosures of sensitive data. OCIO concurred with the recommendations. The Department has established an IT security program and is taking steps to implement data encryption and to strengthen access security mechanisms.

Summary of Audit Activities

Reports Issued			59
Audits Performed by OIG	40		
Evaluations Performed by OIG	9		
Audits Performed Under the Single Audit Act	3		
Audits Performed by Others	7		
Management Decisions Made			
Number of Reports			47
Number of Recommendations			344
Total Dollar Impact (Millions)			$100.8
Questioned/Unsupported Costs		$65.7[ab]	
Recommended for Recovery	$36.9		
Not Recommended for Recovery	$28.8		
Funds To Be Put to Better Use		$35.1	

[a]These were the amounts the auditees agreed to at the time of management decision.
[b]The recoveries realized could change as the auditees implement the agreed-upon corrective action plan and seek recovery of amounts recorded as debts due the Department.

Summary of Investigative Activities

Reports Issued		253
Cases Opened		298
Cases Closed		382
Cases Referred for Prosecution		171
Impact of Investigations		
Indictments		241
Convictions		208[a]
Searches		81
Arrests		1,685[b]
Total Dollar Impact (Millions)		$126.4
Recoveries/Collections	$5.3[c]	
Restitutions	$24.7[d]	
Fines	$91.2[e]	
Claims Established	$3.0[f]	
Cost Avoidance	$2.1[g]	
Administrative Penalties	$0.1[h]	
Administrative Sanctions		
Employees		43
Businesses/Persons		2,498

[a]Includes convictions and pretrial diversions. Also, the period of time to obtain court action on an indictment varies widely; therefore, the 208 convictions do not necessarily relate to the 241 indictments.
[b]Includes 1,206 Operation Talon arrests and 479 arrests not related to Operation Talon.
[c]Includes money received by USDA or other Government agencies as a result of OIG investigations.
[d]Restitutions are court-ordered repayments of money lost through a crime or program abuse.
[e]Fines are court-ordered penalties.
[f]Claims established are agency demands for repayment of USDA benefits.
[g]This category consists of loans or benefits not granted as the result of an OIG investigation.
[h]Includes monetary fines or penalties authorized by law and imposed through an administrative process as a result of OIG findings.

Update of Initiatives

We are again reporting on several of our initiatives. OIG is continuing to work on an initiative to counteract smuggling of animals and plants that could endanger the Nation's food supply through the introduction of diseases and plant pests. The number of arrests during Operation Talon continues to climb. Cases initiated under Operation "Kiddie Care" are resulting in successful prosecutions and significant penalties.

Initiative To Counter Animal and Plant Smuggling

OIG is continuing to establish cases under its initiative to counteract smuggling of animals, plants, and agricultural products. Smuggling is an increasingly serious problem to American agriculture because of the pests and diseases inadvertently introduced. Such illegal activities can cost billions of dollars in destroyed crops, undermined agricultural markets, and lost jobs. Pests and diseases that threaten the United States through smuggling include insects (Mediterranean, oriental, and Mexican fruit fly), livestock diseases (bovine spongiform encephalopathy and brucellosis), avian and plant diseases, and noxious weeds. We currently have 37 smuggling cases under investigation.

Arrests Continue To Climb in Presidential Initiative Operation Talon

Operation Talon was designed and implemented by OIG to locate and apprehend fugitives, many of them violent offenders, who are current or former food stamp recipients. As of March 31, 2000, Operation Talon had resulted in 6,007 arrests of fugitive felons during joint OIG, State, and local law enforcement operations, as detailed in Figure 1.

Operation "Kiddie Care" Roots Out Unscrupulous Sponsors

We are reporting further successes in Operation "Kiddie Care," our nationwide initiative to identify, remove, and prosecute unscrupulous Child and Adult Care Food Program (CACFP) sponsoring organizations (sponsors). OIG has been working closely with FNS concerning needed regulatory and legislative changes recommended in our August 1999 audit report. Meanwhile, the cases of serious deficiencies and criminal activities mount, and successful prosecutions have resulted in significant penalties.

Figure 1
Operation Talon - Total for All Phases

Offense	Total Arrests	Offense	Total Arrests
Murder	21	Kidnapping	10
Attempted Murder	19	Assault	344
Child Molestation	27	Robbery	228
Rape	12	Drugs	1,449
Attempted Rape	2	Other	3,895
Total Arrests: 6,007			

- Twenty-six sponsors receiving over $46.7 million annually in food and administrative funds have been terminated from CACFP. Forty-six sponsors receiving over $82 million annually are subject to termination from CACFP unless they correct serious program deficiencies.

- Forty-three investigations are completed or ongoing. Sixty individuals have been charged with crimes, with 45 found guilty and 39 sentenced.

Audits and investigations concluded this reporting period yielded dramatic results.

- In a Michigan case previously reported, the president of a multicenter day care operation was sentenced to 9 years in prison, followed by 3 years' supervised release, and was ordered to pay $13.5 million in restitution, a $10 million fine, and a special assessment of $3,150. The jury also had awarded forfeiture of over $1.1 million in cash and three properties. The owner and an assistant defrauded USDA of approximately $27 million in CACFP funds. Sentencing is pending for the assistant .

- We previously reported on a California sponsor that defrauded CACFP by filing false claims for day care homes no longer participating in the program. The two owners/operators (a husband and wife) have now pled guilty to defrauding CACFP of over $340,000. The wife was sentenced to 18 months in prison to be followed by 3 years' probation. The husband was placed on probation for 1 year, to include 80 hours of community service. They were also ordered to pay $320,000 in restitution and terminated from further participation in any child nutrition program. Three of the sponsor's former employees pled guilty to related charges. All were sentenced to 5 years' probation and 90 days' home detention, and each was ordered to pay USDA $12,000 in restitution.

- Also in California, the husband and wife who owned and operated a facility were sentenced for mail fraud involving over $85,000 in CACFP funds. The husband was sentenced to 1 month in prison, followed by 2 years of supervised release to include 5 months of home confinement. The wife was sentenced to 5 months in prison, followed by 2 years of supervised release to include 5 months of home confinement. Each was fined $10,000 and ordered to pay a total of $55,000 in restitution.

- An OIG audit disclosed that a Seattle, Washington, sponsor lacked documentation to support almost $250,000 in salary and other costs it paid two of its monitors. An OIG investigation further disclosed that the two monitors falsified numerous records to document fictitious monitoring visits. The sponsor fired the two monitors, the director resigned, and the organization, which sponsored over 400 day care providers, was terminated from further participation in any child nutrition program.

  One of these monitors was also a day care provider, who worked with her daughter. Together, they falsified applications and monthly claims in order to receive excessive CACFP payments as providers. The daughter also submitted false claims in order to receive rental assistance payments from USDA's Rural Housing Service (RHS) and food stamps and other welfare payments from the State of Washington. After pleading guilty, the mother was sentenced to 2 months in prison along with 2 months of home confinement and was ordered to pay restitution of $11,000. The daughter was sentenced to 60 days of home confinement and ordered to pay $7,300 in restitution.

- Our Summer Food Service Program (SFSP) audit found that a Nevada sponsor disregarded program rules and regulations governing SFSP and may have been intentionally inflating its meal claims, using the income for unallowable expenditures. Also, the sponsor failed to report program income and obtain required audits. We questioned over $1 million in costs. The sponsor was terminated from SFSP, and its CACFP application for FY 2000 was not renewed. This sponsor was receiving approximately $1.5 million from SFSP and $100,000 from CACFP annually.

- Another OIG audit disclosed that a Denver, Colorado, sponsor appeared to be seriously deficient in its administration of the program. The sponsor did not follow Federal or State program regulations in its claims for provider reimbursement and administrative costs or in its disbursement of reimbursement to providers. The sponsor wrote approximately $132,000 in reimbursement payments to providers for periods prior to their being approved to participate. Based on this, the sponsor improperly received over $35,000 in administrative costs. The sponsor also processed provider claims totaling over $96,000 even though the claims were received past the deadline. The sponsor improperly received over $17,000 in administrative costs based on the improper claims. In addition, the sponsor claimed and received $29,000 in administrative costs not supported by receipts or similar documentation.

The sponsor's computer system processed almost $1 million in reimbursements monthly but was not secured by logons or passwords. The methods of handling money rendered its financial system inadequate to account for both administrative and provider funds. The sponsor transferred money among its CACFP food accounts for day care homes and centers, administrative cost account, and a non-CACFP account to cover shortages in the various accounts.

- A husband and wife who owned and operated a Utah sponsorship pled guilty to defrauding CACFP by making false statements and embezzling CACFP funds. The couple, who ran the day-to-day operation of the sponsorship, diverted approximately $120,000 from a meal claim reimbursement account to their own accounts. As part of their scam, the couple demanded kickbacks from day care providers under their sponsorship in exchange for reimbursement checks. Many of the program recipients were immigrant families living in run-down trailer parks and small, ramshackle wood-frame houses. Two monitors, who were working in concert with the couple, have also pled guilty. One of the monitors was sentenced to 3 years' probation (with credit for time served in a halfway house) and was ordered to pay restitution of nearly $3,700 to USDA. Sentencing of the other individuals is pending.

Figure 2 shows the status of our investigations, as of March 31, 2000.

Figure 2

Status of Investigations of Sponsors and Providers as of March 31, 2000

State[1]	Investigations	Audits Completed	Audits in Progress	Sponsors Terminated From the Program	Individuals Indicted or Named in a Criminal Information[2]	Individuals Who Pled Guilty or Were Convicted	Individuals Sentenced
Alabama		1					
Arizona	1	2			1	1	1
Arkansas		1					
California	8	9		6	21	19	17
Colorado	1	1					
Florida	2	1		2	2	2	2
Georgia	4			3			
Idaho	1			1	1	1	1
Illinois		3	1				
Louisiana	2	2	1	1			
Maine		1		1			
Michigan	1			1	2	1	1
Mississippi		1					
Missouri		1					
Nevada				1[3]			
New Mexico	7	1			9	2	2
New York	3	1	1	1	1	1	1
North Carolina		1					
Ohio	2	2		1	12	10	10
Oregon		1		1			
Pennsylvania	3	1		2	1[4]	1[4]	
Tennessee	3			2	3	1	1
Texas	1						
Utah	1	2		1	4	3	
Washington	2	1		1	2	3	3
Wisconsin	1	2		1	1		
TOTALS	43	35	3	26	60	45	39

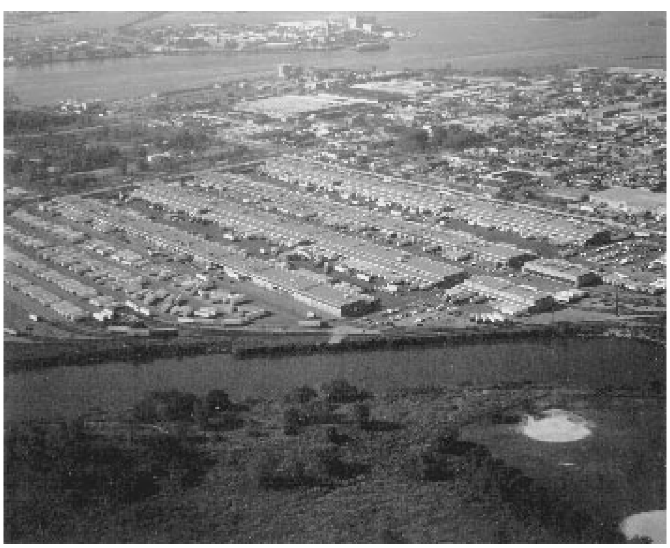
[1]Five audit surveys were also performed in Arkansas, California, Illinois, and Indiana, but the findings did not warrant audit reports.
[2]An information is a formal accusation of a crime made by a prosecuting officer, as differentiated from an indictment by a grand jury.
[3]This sponsor was terminated from CACFP based on our audit of the sponsor's Summer Food Service Program.
[4]The subject died before sentencing, and the conviction was dismissed.

Public Corruption Investigations

A top priority for OIG is the investigation of serious allegations of employee misconduct. During the past 6 months, such investigations resulted in 18 convictions of current or former USDA employees and 43 personnel actions. Some recent investigations follow.

Corruption Uncovered at Hunts Point Market

In New York City, nine AMS employees, responsible for grading the quality of fruit and vegetables, pled guilty to bribery. In addition, 15 owners or employees of produce wholesalers, located at the Hunts Point Market in the Bronx, were indicted on bribery charges. Seven of the wholesalers have pled guilty. During the $2^1/_2$-year investigation, we uncovered a scheme by which the AMS graders accepted bribes from wholesalers to downgrade produce. The wholesalers then used the lower grades to negotiate downward the price they paid the grower for the produce. Our investigation also revealed that the AMS graders were involved in a corrupt organization by which they received money from the wholesalers and then paid the AMS night supervisor, who made their work assignments, a kickback of $100 per week from each grader.



Airborne view of Hunts Point Market indicates its vast extent. Federal Bureau of Investigation (FBI) photo.

NRCS Employee Pleads Guilty to Possession of Unregistered Destructive Devices

A search warrant executed at the residence of a Natural Resources Conservation Service (NRCS) employee by Bureau of Alcohol, Tobacco, and Firearms (BATF) special agents revealed 58 pipe bombs, bomb-making material, a firearm silencer, and a land mine. At the request of the U.S. attorney's office, OIG was called in to assist BATF with the investigation. The resulting joint investigation included extracting data from the employee's Government computer and searching for additional explosive devices at the workplace with bomb-sniffing dogs. The employee pled guilty to possessing destructive devices (pipe bombs) and is awaiting sentencing.

Former NRCS Employee Pleads Guilty to Embezzling Funds

A former NRCS secretary in Colorado pled guilty to embezzling approximately $23,600 in Rural Conservation and Development (RC&D) funds. Our investigation disclosed that the employee embezzled the funds by issuing checks to herself and altering them once they were returned by the bank. She admitted to embezzling the funds and to forging RC&D council members' names on the checks. The employee was terminated from her NRCS position in April 1999. Sentencing is pending.

FS Employee Convicted of Embezzlement

In New Mexico, a former Forest Service (FS) employee pled guilty to embezzling Government funds while employed with FS. She was sentenced to 4 months of home confinement with electronic monitoring, placed on probation for 3 years, fined $4,000, and ordered to pay restitution of nearly $300. Our investigation disclosed that the former employee, while employed as a business management officer, used a Government credit card to purchase over $8,500 in household goods and groceries for personal use. The employee and her husband, who was employed as a forestry technician, both subsequently resigned and repaid FS $6,000 for the illegal credit card charges.

Workplace Violence Investigations

Oklahoma Landowner Found Guilty of Second-Degree Murder and Assault

An Oklahoma landowner was found guilty by a Federal jury of assault of a Government employee and second-degree murder. The man shot and killed his neighbor, who was assisting an NRCS district conservationist. The NRCS employee and the murdered landowner were checking on damage to fencing around a wetlands area enrolled in the Wetlands Reserve Program when the owner of the adjacent property rode up to them on horseback and began arguing. The man then pulled out a shotgun, killed the neighbor, and held the NRCS employee at gunpoint. This case was conducted jointly with the Oklahoma State Police with assistance from the FBI.

Individual Arrested for Threatening USDA Employee

In North Carolina, OIG agents arrested an FSA borrower for threatening to kill an FSA farm loan manager in an attempt to impede and intimidate him in the performance of his official duties. The subject had previously made threats against the manager and had been warned by OIG agents against future threats. The subject has been placed in a pretrial diversion program.

Man Convicted of Threatening FSIS Employees

In California, an individual was sentenced to 1 year in Federal prison and an additional 3 years of supervised release after he was convicted of threatening FSIS Compliance officers. In July 1999, shortly after he had a confrontation with two FSIS Compliance officers at a custom slaughter facility, the individual's vehicle almost ran their vehicle off the road. When confronted by OIG, the individual denied that the near accident had been deliberate on his part. In September 1999, he contacted OIG and stated that he was considering getting a gun and shooting the Compliance officers at the slaughter facility. He was subsequently detained and placed in a mental health facility for observation. Upon release, he was transferred to a Federal detention facility. He was later indicted for the threats and was convicted after a trial.

Custom Meat Slaughterer Signs Pretrial Diversion for Assault on USDA Employee

The owner of a custom meat slaughter business in upstate New York signed a pretrial diversion agreement in U.S. District Court for committing an assault against a Federal employee. The owner of the slaughter business admitted he was holding a scraping knife with an 8-inch blade when he confronted an FSIS Compliance officer. He became agitated during the conversation and began motioning with his hands while still holding the knife. Prosecution was deferred for 1 year provided the individual abided by the conditions and requirements set by the pretrial diversion program. In addition, FSIS issued a warning letter and planned to monitor the facility.

Individual Pleads Guilty to Threatening Secretary of Agriculture

A farmer repeatedly wrote letters to the Secretary threatening deadly force against him or any other Government employee who attempted to foreclose on his farm. This individual was arrested by OIG special agents in January 1999 and confined to a medical facility for psychiatric evaluation. At the time of arrest, he was carrying a semiautomatic pistol and shotgun in his vehicle. An OIG search of his home found five shotguns, three .22 caliber rifles, ammunition, and a gas mask placed at various doors and windows throughout the house. On March 1, 2000, this individual pled guilty to threatening a Government official and was sentenced to time served, which was 15 months.

Farm and Foreign Agricultural Services

FARM SERVICE AGENCY (FSA)

FSA supports American farmers, and ultimately consumers, through commodity and disaster programs, loans, conservation, and food assistance. The fiscal year (FY) 2000 budget is estimated at over $4.2 billion in funds available directly to FSA. The Commodity Credit Corporation (CCC), a Government corporation, funds all other program operations at an estimated $19.5 billion.

Eight Georgia Producers Fraudulently Obtained Program Payments

Eight producers from Thomas County, Georgia, appeared to have participated in schemes or devices designed to avoid maximum payment limitation provisions for program years 1990 and 1991. The eight producers provided misleading information to FSA about their farming operations and, therefore, did not qualify for just over $661,000 they received in FSA program payments.

Our review was delayed several years because the producers did not cooperate in providing us with the information needed. During 1993, OIG issued administrative subpoenas to obtain records for the producers' 1990 and 1991 farming operations. However, it was not until 1999 that OIG finally obtained sufficient records to conduct the review.

The review was a continuation of a prior audit of the Disaster Assistance Program in Thomas County, Georgia, for program years 1992 and 1993 in which we questioned payments totaling about $1.2 million for the same eight producers. In October 1998, the Georgia State FSA Committee found that the eight producers did participate in schemes or devices to evade maximum payment limitation provisions for program years 1992 and 1993. FSA is working to recover the overpayments.

Similar to our prior audit findings, in our present review we found that the eight producers used schemes or devices to evade maximum payment limitation provisions for program years 1990 and 1991. They received questionable FSA program payments totaling just over $661,000 during that period. The eight producers, whose farming operations consisted of four individuals and four corporations, operated as one organization, essentially influenced by a principal producer, rather than separately as required to qualify for the program payments in question.

We recommended that FSA determine whether the eight producers participated in schemes or devices to evade the maximum payment limitation provisions for program years 1990 and 1991 and, if so, recover the overpayments. FSA agreed with the findings; however, as a result of the determinations associated with the previous report, the producers and their attorney have entered into settlement negotiations for program years 1992 and 1993 with USDA's Office of the General Counsel (OGC). FSA believes that the settlement could encompass the 1990 and 1991 issues as well.

Emergency Conservation Program (ECP) Needs Improvement

Audit work performed in nine States found that FSA did not have internal controls in place to ensure ECP funds were being used for eligible projects, resulting in $2.9 million in unsupported payments. Findings included the following.

- FSA's spot-checks did not always include steps to identify improprieties, and, in many cases, agency personnel were themselves unclear on the procedures to follow.

- Some producers had not maintained the practices funded by ECP payments.

- Certain county offices allowed the cost of personal labor, while others did not, and some producers received reimbursement from FSA but did not pay the entire vendor bill or negotiated a discount that was not disclosed to FSA.

- Computational errors were occurring, and county offices were not following the proper application approval process.

- Some county offices were not always using the ECP application form as intended, which contributed to errors and gave the appearance that some practices had not been approved.

We recommended that the FSA national office finalize updating the ECP handbook and develop instructional material that could be used to train key people whenever the program is authorized. We further recommended that FSA strengthen handbook procedures and require additional oversight by district directors. Also, FSA should review those cases where there was a maintenance default or inaccurate information and determine if the producer should be required to make repayment with interest or penalty.

FSA generally concurred with the findings and is proposing changes to ECP in an interim rule currently under review. Upon completion of the new rule, the handbook procedures will also be amended.

Ineffective Controls Provided Environment for Embezzlement Scheme

An OIG investigation of alleged embezzlement by a program assistant in an FSA county office prompted an examination of internal controls over administrative program operations. We found that internal controls needed enhancement to reduce the potential for misappropriation of funds through manipulation of checkwriting software features, to increase the analysis of available computer queries, and to properly separate duties and second-party reviews, which would have prevented or allowed to be detected the embezzlement of administrative funds. The weak controls allowed a program assistant to perpetrate a relatively unsophisticated embezzlement scheme that obtained about $275,000 over 7 years.

We recommended that the agency reinforce to the States and counties the policies and procedures for allocating, budgeting, and monitoring expenses. Also, we recommended FSA handbook information be amended to specifically define actions expected of employees responsible for reviewing, verifying, and ensuring the proper use of funds and to require that a second party research and complete corrective actions for expense transaction exception reports. We further recommended that the agency establish additional control features to address other potential vulnerable areas and make use of computer software capabilities. FSA generally concurred and is addressing the recommended corrective action.

Attempt To Conceal the True Nature of Farming Operation Costs Producer Over $300,000

At the request of the Louisiana State FSA office, we reviewed the operation of a joint venture consisting of six corporate entities, whose stockholders were a father, two daughters, and a hired foreman, to determine if payment limitation provisions of the Agricultural Market Transition Act (AMTA) were violated. We found the joint venture did not exercise separate responsibility for its interest in the crops or maintain funds or accounts separate from that of any other individual or entity. Members of the joint venture were not actively engaged in farming because they were not at risk for their 1996 and 1997 contributions to the farming operation.

Specific problems identified included nonpayment of $406,000 in cash rent to a limited-liability company owned by trusts established for the two daughters, involving numerous questionable loans and money transactions. By the end of 1997, the father and daughters had realized a net benefit of almost $400,000 from these transactions during 1996 and 1997. We concluded that the father attempted to evade payment limitation provisions by concealing and/or submitting erroneous information about his true interest in the farming operation. This would have affected FSA’s “person” determination and the production flexibility contract (PFC) payments for 1996 through 2002 under the AMTA program.

We recommended FSA determine whether a scheme or device was knowingly adopted to evade payment limitation provisions and/or defeat the purpose of the AMTA program. If so determined, we recommended recovery of over $750,000 in 1996 through 1999 PFC payments and termination of the remaining 3 years of the contract (a savings of about $509,000).

The Louisiana State FSA Committee did not determine that a scheme had been adopted to defeat the purpose of the AMTA program. However, it did determine a scheme was adopted in 1996 to evade payment limitation provisions and will recover about $318,000 in 1996 and 1997 PFC payments from the joint venture.

FLP Loan-Servicing Actions in General Compliance With FAIR Act

The Federal Agriculture Improvement and Reform (FAIR) Act of 1996 imposed several restrictive loanmaking and loan-servicing policies on the Farm Loan Program (FLP). The act prohibited (after April 4, 1996) an individual or entity from receiving more than one instance of debt forgiveness.

Our review did not identify material program deficiencies or control weaknesses; therefore, we did not expand the survey into the audit phase but summarized our results in a brief report. We reported that of the 24 debt forgiveness decision cases reviewed, no improprieties were noted with the 13 reviewed in Oklahoma and Texas. However, in 3 of the 11 cases reviewed in Louisiana, borrowers received improper debt forgiveness decisions totaling $194,000.

We also noted the Louisiana and Texas State FSA executive directors inadvertently exceeded their authorities by approving debt settlements for two borrowers in each State whose outstanding indebtedness exceeded $100,000. The writeoffs totaled almost $580,000 and were improper because all applications for settlements, with outstanding indebtedness in excess of $100,000, were to have been referred through OGC to the U.S. Department of Justice (DOJ) for approval. Although the State executive directors exceeded their authorities in approving the debt settlements, we found no information in the case files indicating the decisions to debt-settle the accounts were unjustified.

We recommended FSA, in accordance with agency instructions, and, as applicable, through consultation with OGC, initiate the appropriate action to collect the $194,000 which resulted from improper debt forgiveness provided to the three Louisiana borrowers. Further, we recommended that FSA refer the four improperly settled cases to DOJ for review and approval. Agency officials concurred with our findings and agreed to implement our recommended course of action within 12 months.

Controls Over Environmental Benefits Index Scores Need Continued Improvement

Under the Conservation Reserve Program (CRP), producers receive annual payments from FSA to take highly erodible cropland out of production and establish and maintain a vegetative cover on it. The tracts of land are scored according to values on the Environmental Benefits Index (EBI). FSA, with assistance from NRCS, has overall responsibility for CRP.

Our previous review of Signup 15 found that the controls over EBI scores could be improved. We found that the complexity of EBI continued to cause scoring problems during Signup 16. FSA and NRCS took action to address those weaknesses.

During this period, we addressed concerns FSA and NRCS officials expressed about the high approval rate for appeals filed in conjunction with CRP Signup 15. We identified errors in the revised EBI scores for 39 of the 70 offers reviewed. Of the 39 offers with errors, 29 were incorrectly accepted for the program, with scheduled program benefits totaling about $2 million over the life of the CRP contracts. FSA State office reviews of appealed offers did not always detect errors in the revised EBI scores, and those scores revised as a result of producer appeals were not subjected to the automated validation routines. In response to our recommendations, FSA and NRCS agreed to provide for joint agency spot-checks of offers with EBI scores that are revised after the date of initial offer acceptance. This includes a final validation of any EBI scoring changes made after transmission of the original offer data.

During this period, for Signup 18, we found EBI scoring errors on 37 of 80 offers reviewed, similar to the rates for Signups 15 and 16. To help identify trends and inconsistent applications of factors, FSA developed computer-generated maps showing average EBI scores by factor and subfactor. These maps were accessible by State offices to assist in identifying inconsistent trends during Signup 18.

However, the maps were not effectively used to identify and follow up on apparent scoring inconsistencies across State and county lines. Also, consistency was not provided when interpreting point scores for threatened and endangered species that were common to more than one State.

We recommended that FSA and NRCS explore alternatives for simplifying and clarifying the EBI scoring process and implement additional controls to ensure the reasonableness of EBI scores. We also recommended that the joint agency working group develop a framework for analyzing the computer-generated maps as a tool to further enhance program operations. In addition, we recommended that NRCS establish the specific habitat requirements needed to obtain the maximum threatened and endangered species points for species that were common to more than one State.

FSA concurred that the continuing high level of errors was unacceptable. NRCS indicated that efforts were under way to automate the EBI calculations, which should help to significantly reduce errors and provide accuracy. Both agencies will explore what actions may be necessary to reduce the error rate, including analyses of maps showing trends and inconsistencies across State and county boundaries.

Cotton Warehouse Owner Indicted for Cotton Fraud Scheme

The owner of several cotton warehouses was indicted for his scheme to defraud approximately 140 cotton farmers in Georgia and South Carolina through mail and wire fraud, interstate transportation of stolen property, and money laundering. OIG’s investigation disclosed that the warehouse owner gambled that the price of cotton would rise when he contracted to purchase millions of dollars in cotton from farmers without offsetting the purchases with sales to cotton mills. When the price fell instead, the owner became unable to pay the farmers under contract. He then began to steal cotton that was stored in his company’s warehouses and illegally sold it to other cotton mills and merchants as his own. He also knowingly sold mortgaged cotton without the permission of the farmer or lien holder. His company and warehouses have filed for bankruptcy. Congress awarded a special appropriation of $5 million to be matched by the States as reimbursement for the losses sustained by the farmers. Approximately $9 million has been paid to farmers for the losses they incurred when this man stole their cotton.

Three in Georgia To Serve Time, 11 Others Enter Pretrial Diversion

Three South Georgia farmers who masterminded a disaster fraud scheme that netted them approximately $1.6 million in unentitled FSA disaster payments began serving Federal prison terms in January. The three enlisted a number of their relatives and friends to sign up for disaster payments to which they were not entitled. Once FSA disbursed the disaster funds to the named individuals, they turned the monies over to the three ringleaders. As part of a negotiated plea agreement with the U.S. attorney’s office, the three main subjects each agreed to serve 1 year in Federal prison and pay restitution of approximately $442,000. Their 11 relatives and friends were allowed to enter pretrial diversion programs since it was determined that they had not benefited financially from the scheme.

Sentencing for Forgery and Grand Theft

A Wooster, Ohio, farmer was sentenced to pay $57,000 in restitution and 5 years’ probation after he pled guilty to forgery and grand theft charges. Our investigation showed the farmer submitted two forged documents with his application for two farm-stored commodity loans. The farmer also falsely certified the amount of corn and soybeans he had in storage on which he gave FSA a security interest. After he received FSA loans totaling almost $60,000, he converted most of the stored grain to his own use, feeding his own dairy herd with it and selling it in his son’s name to avoid the security interests on file against his grain. Our investigation also revealed that the farmer had pledged the same crops to two other private creditors for loans.

Five Texans Enter Into Civil Settlements for False Disaster Claims

Five Texans entered into civil settlement agreements to avoid civil prosecution stemming from their involvement in submitting false receipts in support of loss claims in the Disaster Assistance Program. Their combined fines totaled over $200,000. These investigations were the result of an OIG/Audit referral, and the investigations were worked jointly with OIG/Audit.

Two Texas Businessmen Conspired To Defraud the Emergency Feed Program

Two Texas businessmen have agreed to plead guilty to conspiracy to submit false feed receipts under the Emergency Feed Program (EFP). They received about $172,000 in EFP payments based on the false receipts submitted. Bills of information were recently filed against them.

Former Arkansas Sheriff Sentenced for Loan Fraud

As previously reported, a former Arkansas county sheriff had been indicted for furnishing false statements concerning a $121,000 FSA loan. The sheriff was supposed to use the loan to pay debts to a bank and raise a 1996 crop but used over $44,000 in FSA loan proceeds to pay off campaign debts and did not grow any crops. The former sheriff has now been sentenced in Federal court to 4 months' home confinement, followed by 5 years of supervised release, and ordered to make restitution of nearly $103,700. This investigation was worked jointly with the FBI.

Federal Jury Finds Individual in Mississippi Guilty of Conversion, Other Violations

A Federal jury found a Mississippi farmer guilty of conversion of FSA-mortgaged collateral, money laundering, and crop insurance fraud. The farmer had pledged his 1996 cotton and soybean crop to FSA for a total of $461,000 in loans but then illegally converted it to his own use. The farmer also submitted false statements to obtain crop insurance for a 1994 claim in excess of $18,000. Sentencing is pending.

RISK MANAGEMENT AGENCY (RMA)

RMA supervises the Federal Crop Insurance Corporation (FCIC) and oversees all programs authorized under the Federal Crop Insurance Act. FCIC is a wholly owned Government corporation that offers subsidized multiple-peril and revenue crop insurance through a private delivery system by means of reinsured companies. RMA's FY 2001 Government cost, net of producer-paid premiums of $968 million, is estimated at $2.2 billion.

Controls Over Risk Fund Changes and Acceptance of Crop Yields Needed Strengthening

OIG conducted this audit to evaluate controls over crop insurance risk fund changes made by reinsured companies after the final date authorized for such changes and the acceptance of crop yields submitted by reinsured companies. RMA did not have effective controls and procedures in place to prevent or detect unauthorized risk fund changes and protect the accuracy and reliability of crop yields in its data bases. The control weaknesses have resulted in program losses to FCIC and the use of inflated crop yields for insurance purposes.

One reinsured company improperly transferred losses on its 1994 multiple-peril crop insurance (MPCI) raisin policies to FCIC without RMA's knowledge. This occurred when RMA permitted the reinsured companies to change their annual plans of operation in 1995 to accommodate the new catastrophic risk plan of insurance. However, RMA did not establish controls to ensure that the companies did not make unauthorized changes or use excessive adverse risk selection practices. One reinsured company improperly shifted about $6 million in underwriting losses to FCIC.

RMA's separation of duties over the approval of fund designation changes was not adequate. The Data Quality Section, responsible for RMA's data bases, can accept and approve fund designation changes requested by reinsured companies without the approval of RMA's Reinsurance Services Division because RMA has not clearly designated one division to approve all fund designation changes. Weak controls also caused RMA to maintain inflated crop yields for some farms in its data bases used to deliver MPCI programs, which potentially may inflate MPCI program statistics and influence RMA's actuarial tables.

We recommended RMA recover about $6 million in underwriting losses that FCIC incurred when the reinsured company improperly ceded 1994 raisin losses in California to FCIC. We also recommended that RMA strengthen management controls over fund designation changes, particularly to ensure no changes are made after the established cutoff dates, and establish reasonable validity checks for the acceptance of crop yields into its data bases. RMA personnel generally agreed with our recommendations.

Roundtable Meeting Between OIG and RMA

On November 30 and December 1, 1999, representatives of RMA and OIG met in San Antonio, Texas, to identify ways to improve interagency cooperation and effectiveness. (This was the second formal joint discussion of such magnitude—the first being the December 1998 roundtable meeting between OIG and FSA at which OIG and FSA made a commitment to more efficiently ensure the effectiveness and integrity of USDA programs through better interagency coordination and understanding.) At least 20 representatives from each agency were present, including the RMA Administrator, the Assistant Inspectors General for Audit and Investigations, and the Deputy Under Secretary for Farm and Foreign Agricultural Services. RMA and OIG agreed to improve coordination and understanding between the agencies through better communication.

OIG and RMA jointly issued a report to the Secretary, summarizing the results of their discussions, and agreed to make it available to their staffs nationwide. In the report, each agency outlined agreed-to actions needed to improve on existing modes of communication/ operation that would transcend old perceptions and foster both agencies' commitments to achieve their foremost common goal: RMA program integrity. Each agency has taken steps to implement the corrective actions.

Food, Nutrition, and Consumer Services

FOOD AND NUTRITION SERVICE (FNS)

FNS administers the Department's food assistance programs, which include the Food Stamp Program (FSP); the Child Nutrition Programs (CNP); the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC); and the Food Donation Programs. FNS' funding for FY 2000 is $34 billion. Three FNS programs receive the bulk of this funding: FSP, $19.8 billion; CNP, $9.8 billion; and WIC, $4.1 billion.

Consulting Firm Pays Government $1.9 Million

A consulting firm based in Cambridge, Massachusetts, agreed to pay $1.9 million to the United States in order to settle civil claims brought against it by the Government under the False Claims Act. The company provided a wide array of social science consulting services to various Government agencies, including FNS, which contracted with the firm to collect and analyze data to evaluate nutrition-related programs. The company routinely used subcontractors and submitted invoices to agency clients, including FNS, for services rendered, when, in fact, the company had not yet incurred the costs for the services for which they were charging. This was a violation of Federal Acquisition Regulations (FAR). Premature billings occurred in approximately 74 percent of the contracts, which ultimately deprived the Government of the use of funds at an imputed cost of $2.4 million.

FOOD STAMP PROGRAM

Monitoring of Electronic Benefits Transfer (EBT) System Continues

Currently, 40 States and the District of Columbia use EBT systems to deliver food stamp benefits. Thirty-seven of the systems have been implemented statewide, including the District of Columbia. Over 70 percent of all FSP benefits are being issued via EBT. During this semiannual period, we completed EBT system audit work in Louisiana.

The EBT system for Louisiana was successfully implemented; however, controls needed to be strengthened in some areas. The State agency did not ensure that user access codes for separated employees were removed from the system. Controls over returned EBT cards needed strengthening because cards were not destroyed. Reconciliation of drawdowns of Federal funds for retailer FSP redemption settlements was not properly monitored on a daily, monthly, or fiscal-year basis, which could result in drawdown errors. The State agency also needed to ensure computer security training is provided for all EBT system users annually.

We recommended that FNS instruct the State agency to implement controls to address these deficiencies. FNS agreed to work with the State agency to implement the necessary controls.

Federal and State-Funded Food Stamp Benefits Were Not Accurately Determined or Reported to FNS

The State Option Food Stamp Program (SOFSP) assists legal immigrants and childless, able-bodied adults who were made ineligible to receive food stamp benefits by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA). States were authorized to use the federally funded FSP infrastructure to deliver SOFSP benefits but were required to pay FNS for their value.

We reviewed implementation of SOFSP in California, Washington, Florida, New Jersey, and Rhode Island and identified internal control deficiencies, which required corrective actions by FNS and the States reviewed. The States were not accurately calculating benefits for households receiving both Federal and State-funded food stamps (mixed households). These State agencies did not take actions necessary to comply with their State plans and FSP regulations when calculating SOFSP and FSP benefits for mixed households. During fieldwork, we issued management alerts to the four FNS regional offices, but their initial corrective actions were inconsistent. The FNS Mid-Atlantic and Northeast regional offices took aggressive action to require the States to revise their procedures, correct errors, and make appropriate payments to FNS for SOFSP benefits issued. The FNS Southeast regional office and Washington State have now taken similar actions to correct problems in Washington and Florida. Corrective action is still pending in California.

In view of its estimate that invalid payments approximating $10 million could have been made during FY 1998 in determining FSP immigrant benefits in SOFSP States, FNS needs to implement consistent policy in administering SOFSP. Actions required for individual States should ensure that Federal funds are not used to fund State programs and should be scheduled for completion so that financial transactions are recorded, processed, summarized, and reported in the fiscal year in which they occur. We recommended that FNS take immediate action to address the accounting and reporting deficiencies identified during our audit, issue clarifying guidance to State agencies, and recover invalid FSP expenditures.

FNS has initiated corrective actions and plans to continue its monitoring of State operations; however, it believes that PRWORA legislation allowed States flexibility in implementing SOFSP. According to FNS, it has agreed to document how each State has elected to treat ineligible alien income and will require States to follow their elected procedures.

Improper Payments Were Made to Disqualified Food Stamp Retailers

FNS relies on controls in the Store Tracking, Authorization, and Redemption Subsystem (STARS) to monitor and identify unauthorized FSP payments to disqualified retailers. As part of our ongoing work to ensure that FNS retailer management systems keep pace with changes in technology and continue to strengthen Federal controls for the oversight of program retailers, we initiated an ongoing evaluation of the controls in place to prevent disqualified retailers from reentering FSP during the assigned disqualification period.

During the period of evaluation, we identified several weaknesses in STARS that made the system less effective than it should be. We determined that, due to the high volume of suspect transactions that had to be researched, the identification through STARS of improper redemptions made by disqualified retailers was in danger of becoming ineffective. For example, our review of 14 disqualified stores disclosed that $123,000 in questionable redemptions was made by 3 retailers. However, the STARS data for the firms indicated that over $210,000 in questionable redemptions was made for these stores. Based on the STARS data, FNS staff would have to evaluate an increased number of transactions before identifying the questionable ones. We recommended that FNS evaluate STARS to develop controls that would more precisely identify FSP benefit redemptions by disqualified retailers.

FNS indicated that it recognized that the process resulted in an increased demand on agency resources to research and identify suspect transactions and that it intended to evaluate the problem as part of its redesign of systems in STARS II. FNS also noted that the conversion toward full EBT implementation changed specific controls needed to identify discrepant transactions.

We noted that unauthorized transactions of disqualified retailers are also a problem under the EBT system, and we recommended that FNS develop appropriate controls to preclude this. At the time of our review, we noted that the minimum amount of time needed to block an EBT retailer from processing FSP transactions was about 3 business days after disqualification. FNS has since developed the Retailer EBT Data Exchange System, which permits the deactivation of point-of-sale devices electronically to prevent further FSP transactions. FNS advised us that, with rare exceptions, withdrawals and disqualifications should occur within 24 hours.

There was also the potential for disqualified retailers to “sneak” back into the program because there were no procedures requiring specific data base searches to identify disqualified applicants prior to approving a retailer’s application. STARS did not prompt users to perform data base searches to determine if the applicant had been disqualified previously from the program. FNS has implemented new procedures for applicant data base searches in STARS. The new procedures developed under the Related Individuals Tracking System project appear to correct the deficiencies related to verifying that applicants have not been disqualified previously from the program.

Update on $63 Million Food Stamp Fraud Case

As reported last period, in a complex food stamp trafficking conspiracy involving 46 defendants, food stamps worth $63 million were fraudulently redeemed through 20 authorized stores in New York City. To date, 35 defendants have been convicted, including 4 bank officials. Of those four bank officials, three individuals pled guilty, and a jury found one official guilty of bank fraud and bank bribery. Sentencing is pending.

Store Owners/Employees Face Penalties for EBT Fraud in Baltimore

Two brothers who co-owned a Baltimore City grocery store were convicted of conspiring to commit nearly $740,000 in food stamp fraud through the EBT system. The brothers were sentenced to 6 months in jail, followed by 6 months of home detention, and ordered to pay a total of approximately $24,000 in restitution. While OIG was investigating this store, its former manager opened her own store in Baltimore, obtained authorization to participate in FSP, and was later convicted of trafficking in over $239,000 worth of food stamp benefits via the EBT system. The former manager has been sentenced to 1 year in jail and ordered to pay $239,000 in restitution.

Also in Baltimore, the owners of another grocery store pled guilty to EBT fraud and trafficking in food stamp benefits. The loss to the Government totaled between $800,000 and $2 million from 1995 to November 1999. In October 1999, OIG agents executed a Federal search warrant at the store, where they seized $9,500 in cash and obtained statements from the owners admitting to the trafficking. As part of their plea agreement, the owners agreed to forfeit the seized cash and any other available assets. Sentencing is pending.

Computer Match Identifies District of Columbia Inmates Receiving Welfare Benefits

We initiated a joint operation with the District of Columbia's Department of Human Services (DCDHS) to match prison inmate rolls with the DCDHS welfare recipient rolls. DCDHS completed the prison match in January 2000. After reviewing 173 cases from the match, DCDHS identified 108 food stamp cases in which overissuances totaling almost $142,000 had been paid to unauthorized households. DCDHS also found 29 cases in which overpayments totaling more than $77,000 had been paid from the Temporary Assistance for Needy Families and General Assistance programs. This project thus identified 137 households that had received nearly $220,000 in unauthorized food stamp and welfare benefits. DCDHS is seeking recovery of these monies from the recipients. Matches such as these were authorized by the Welfare Reform Act of 1996.

Nine Subjects From Violent Street Gang Plead Guilty

A joint undercover investigation with the Ohio Organized Crime Investigations Commission led to the indictment and conviction of nine members of a violent street gang in Dayton, Ohio. Investigation showed that the nine were involved in a conspiracy to defraud the food stamp and other welfare programs, conspiracy to possess and distribute cocaine, interstate travel to promote drug trafficking, use of firearms while engaged in narcotics trafficking, money laundering, receiving stolen property, and homicide. Many of the gang members, including the upper echelon, were collecting food stamp and welfare benefits. In this case, 17 residential search warrants were executed in 5 Ohio cities, and 12 arrest warrants were executed in Ohio and Kentucky. Items seized included 9 residences, 18 automobiles, 66 guns, drugs, steroids, and cash. Sentences for the nine are pending. Additional indictments are anticipated.

Former Caseworker Sentenced in Fraud Scheme

A former eligibility counselor with the Tennessee Department of Human Services (TDHS) pled guilty to mail fraud and was sentenced to serve 18 months in a Federal prison, followed by 2 years' supervised release, and ordered to pay a special assessment fee of $100 and restitution of $217,000. The caseworker had been responsible for determining recipient eligibility in the food stamp, welfare, and TennCare medical assistance programs. In her position, she had created six fictitious recipient case files and had the benefits mailed to herself. This was a joint investigation among OIG, TDHS, and the U.S. Postal Inspection Service.

SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS, AND CHILDREN (WIC)

$71 Million Judgment Awarded in Food Stamp/WIC Case

A U.S. District Court judge issued a $71 million summary judgment against two prominent Cleveland, Ohio, area businessmen, who currently are fugitives. The civil complaint, filed in May 1996, petitioned for triple damages for illegally trafficking $24 million in food stamps and WIC vouchers. The subjects were also charged with money laundering a total of $4.3 million, hiring unauthorized aliens, and tax charges. The businessmen's attorney made a separate out-of-court settlement, under which the attorney and his law firm paid the Government $275,000 for their involvement in the fraud.

The two businessmen remain fugitives in the Kingdom of Jordan. The Jordanian court failed to extradite the two after their arrest by the Jordanian National Police. The DOJ Office of International Affairs and OIG's representative at INTERPOL continue to work on their extradition. This investigation was conducted jointly with the Internal Revenue Service's (IRS) Criminal Investigation Division and the Immigration and Naturalization Service's Investigations Division.

Food Safety

FOOD SAFETY AND INSPECTION SERVICE (FSIS)

FSIS administers a comprehensive system of inspection laws to ensure that meat, poultry, and egg products moving in interstate and foreign commerce for use as human food are safe, wholesome, and accurately labeled. FSIS' appropriation for FY 2000 totaled approximately $649 million.

Multinational Corporation Submits False Statements to FSIS

In New Hampshire, a joint investigation with the Environmental Protection Agency's (EPA) Criminal Investigation Division resulted in a pretrial diversion agreement with a multinational corporation based in Munich, Germany. Investigation determined the corporation submitted false Confidential Statements of Formula to FSIS to obtain food-grade approval for their lubricants, which are used in the food-processing industry. The former vice president of manufacturing stated the company feared that disclosure of the lubricants' true ingredients, which contained poisonous impurities, would result in denial of the products' use. The investigation further found the company in violation of provisions of the Toxic Substance Control Act, since the lubricants imported from Germany were not listed on the inventory maintained by EPA. Under the terms of the agreement, the company accepted responsibility for its actions and was placed under pretrial supervision for 18 months. The company will also pay a total of $2.3 million, consisting of a $1.3 million payment to the United States, $750,000 to resolve an administrative action brought by EPA, and $250,000 to fund a supplemental environmental project of its choosing, subject to acceptance by the Government.

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 FY 2000 is approximately $274 million.

AMS Needs To Improve Its Controls Over the Commodity Purchase Program

AMS purchases excess supplies of 100-percent domestic commodities to assist farmers when prices and income are depressed by surpluses. AMS requested that we assess its procedures and controls over the Commodity Purchase Program to determine if there was reasonable assurance the food it purchased for Government programs was of 100-percent domestic origin.

We found that AMS inspectors did not follow agency procedures in confirming domestic origin for 51 of the 89 contracts we reviewed. Either the inspectors could not provide evidence that they conducted the required reviews or the reviews were inadequate because the documentation they collected did not confirm domestic origin. The inspectors told us that they received limited training and did not clearly understand their responsibilities. As a result, AMS could not provide reasonable assurance that commodities purchased with program funds were 100-percent domestic for contracts valued at $28 million.

Although we found no indication of foreign products in the 89 contracts, the AMS national office was unaware that its domestic origin verification procedures were not properly understood or implemented by its field staff. Also, AMS was not complying with Federal Acquisition Regulations (FAR) class deviation requirements. FAR adopted the Buy American Act, which, in certain cases, allows foreign products to be commingled with domestic products. AMS did not realize that its 100-percent domestic origin policy required notifying the FAR Secretariat and possibly proposing a revision to FAR. USDA's OGC believed that the lack of an appropriate FAR revision could create legal challenges for the $700 million to $800 million of commodities purchased annually by AMS.

We recommended that AMS develop comprehensive training and improve written instructions, require national office personnel to review subcontractors more comprehensively, and obtain an OGC opinion regarding compliance with FAR. AMS agreed with the recommendations and implemented corrective action.

Coffee Company Falsifies USDA Certificates

The owner of a Bridgeport, Connecticut, company pled guilty in U.S. District Court to one count of wire fraud. The firm distributes coffee beans and manufactured coffee products to companies throughout the country. From October 1997 to June 1999, the company bid on eight contracts, worth about $400,000, with a food distributor in Illinois to manufacture and ship coffee. The contracts required that each shipment of coffee be officially inspected and certified by USDA, since the coffee products were to be used in Illinois public institutions. The company obtained the contracts by submitting the lowest bid. However, in order to make a profit on the contracts, the company never obtained USDA inspections. Instead, it provided the food distributor with falsified USDA Certificates of Quality and Condition and USDA stamps. Sentencing is pending.

ANIMAL AND PLANT HEALTH INSPECTION SERVICE (APHIS)

Through inspection, 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' available funding for FY 2000 is estimated at about $573 million.

APHIS Should Reevaluate the Level of Inspections in Florida

Pests and diseases on agricultural products have entered Florida through the State's ports undetected, leading to costly eradication and control efforts. For example, the outbreak and spread of citrus canker and Medflies in Florida have caused the State and Federal Government to spend millions of dollars to fund programs to combat the outbreaks. Our review of Plant Protection and Quarantine (PPQ) practices for inspecting air and ship cargos and passengers arriving in the Miami and Fort Lauderdale ports identified vulnerabilities and weaknesses, which increased the risk of prohibited agricultural products entering the United States.

We observed that PPQ inspectors did not (1) inspect cargo ships timely upon arrival; (2) inspect the baggage of 75 percent of arriving international airline passengers and 99 percent of cruise ship passengers arriving from foreign locations; (3) assess fines as a deterrent against airline and cruise ship passengers found to have prohibited agricultural items in their possession when entering the United States; (4) select samples of perishable cargo for inspection but, instead, allowed brokers to select the samples; and (5) ensure caterers met all foreign arriving aircraft timely and control regulated garbage. We also observed that cargo inspections performed during overtime periods, which accounted for over 50 percent of all cargo inspections, were not supervised.

We made a series of recommendations to improve the inspection process and to correct the specific vulnerabilities and weaknesses noted. The recommendations included the assessment of penalties when warranted and the evaluation of higher fee rates for inspections to provide for sufficient staff and resources. APHIS agreed with the recommendations or proposed alternatives and is implementing corrective actions.

Smugglers Caught Trying To Bribe Government Official

A multiagency sting operation in San Francisco netted three importers who tried to bribe a Food and Drug Administration (FDA) official to expedite the entry of their food shipments from Hong Kong into the United States without regulatory inspections. The subjects submitted false entry documents that omitted the smuggled items. In March, a Federal jury found one of the importers guilty of bribery, money laundering, smuggling and entry of adulterated foodstuffs, and conspiracy. The other two importers had already pled guilty, one to receipt of adulterated food in interstate commerce, and the other to importing adulterated product and bribery. All three are scheduled to be sentenced later. This case resulted from work initiated by the San Francisco Interagency Import Task Force, which has been targeting firms involved in illegally importing plants and animals that may present a threat to America's food supply. OIG agents have been working with representatives from FDA, APHIS, the U.S. Customs Service, the U.S. National Marine Fisheries Service, the U.S. Fish and Wildlife Service, the IRS, the California Department of Health Services, and the California Department of Food and Agriculture at the direction of the U.S. Attorney for the Northern District of California.

Individual Impersonating USDA Inspector Nabbed

An individual in the Lancaster, Pennsylvania, area approached a large circus, claiming to be a USDA inspector and asking to inspect the animals. The circus employees called the local police because no one recognized the impersonator. Subsequent investigation by OIG confirmed the individual had never been employed with USDA, although he had at one time been a field enumerator under contract with a statistics office in USDA. The individual pled guilty in State court to impersonating a public servant and was sentenced to 2 years' probation and a fine of about $200.

Natural Resources and Environment

The Natural Resources and Environment mission area plays a critical role in the sound stewardship of the Nation's land and natural resources. The Forest Service and the Natural Resources Conservation Service share responsibility for fostering sound stewardship on 75 percent of the country's land.

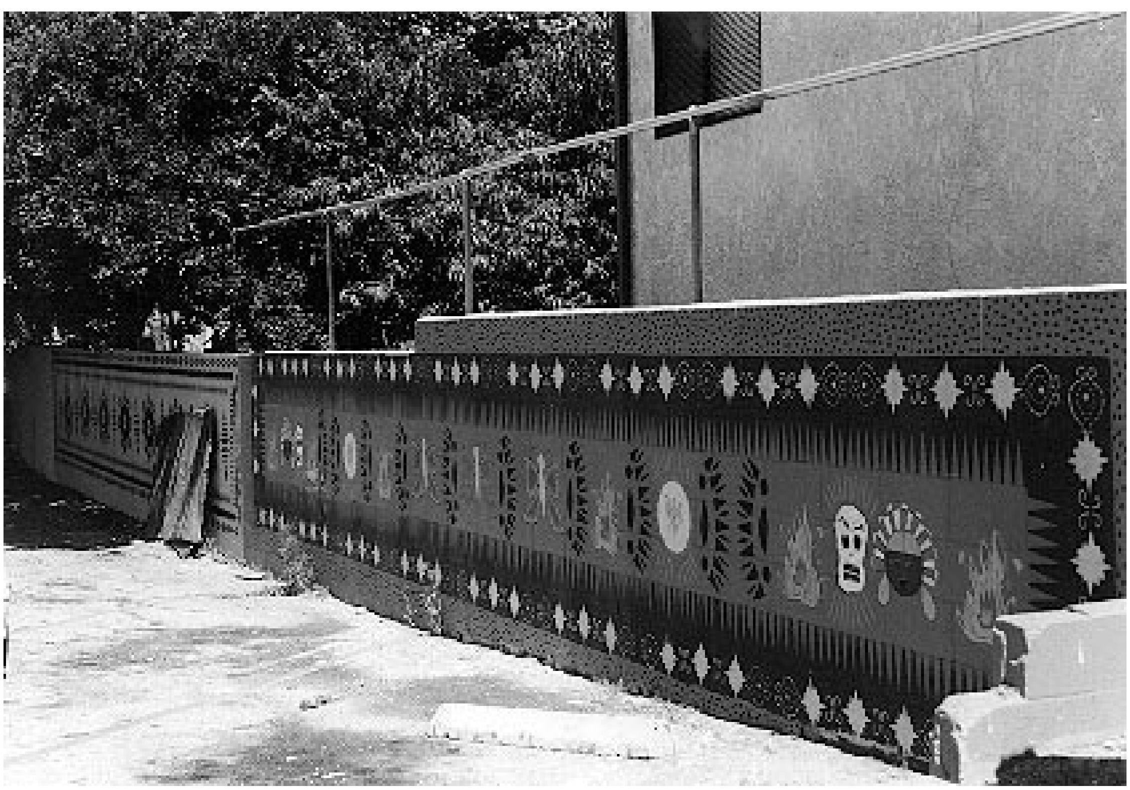
URP Program Initiated Without Statutory Authority or Appropriated Funds

The Department initiated the Urban Resources Partnership (URP) program in FY 1994. The Under Secretary for Natural Resources and Environment established URP to work directly with local people on projects related to natural resources in urban areas.

The prescribed process for implementing a Federal financial assistance program was not followed for URP, as it was initiated without specific statutory authority or congressional appropriations. The program was financed using funds appropriated for existing FS and NRCS programs. Further, regulations were not promulgated in the Federal Register to publicize the objectives and requirements of the program.

A number of specific problems were noted during our review. Cities/areas were not selected to participate in URP on a competitive basis. Also, URP recipients did not always use funds to meet the purposes (see photo) of the applicable statutes from which the appropriations were obtained. Our review identified 131 awards for $3.4 million that did not meet the intended purposes. In addition, the program did not include controls to ensure that award funds were used in accordance with applicable Federal regulations. Recipients claimed questionable costs totaling over $1.3 million, which resulted in over $474,000 subject to recovery.

We recommended that all URP grants be reviewed to determine their legal authority as well as fulfillment of purposes under the applicable statutes, and that a strategy be developed to resolve all such issues. We also recommended the Department publish applicable requirements and procedures in the Federal Register and that control procedures be established at the Under Secretary level to ensure all program initiatives are forwarded to OGC for review prior to implementation. In addition, we recommended that controls be established at FS and NRCS to ensure grant awards meet the statutory purposes. We further recommended that



NRCS used appropriated funds, whose use was limited to activities associated with soil erosion control, for activities such as painting a mural on a wall as seen here. URP photo.

control procedures be implemented at the office of the Under Secretary for Natural Resources and Environment and the offices of the Chiefs of FS and NRCS to assure USDA and Office of Management and Budget (OMB) regulations are adhered to for all award programs.

The Under Secretary for Natural Resources and Environment responded that FS and NRCS have conducted internal reviews of the program and that additional guidance has been provided regarding URP activities. The Under Secretary requested a clarifying opinion from OGC regarding its July 1999 opinion in which it determined there was no authorizing legislation for URP. OGC's clarification stated the Secretary has broad authority to undertake soil and water conservation measures relating to soil erosion; however, the agency must ensure any proposed URP activity falls within the scope of that authority. Based on the OGC clarification, the Under Secretary believes that the agencies have sufficient legal authority to undertake the activities conducted under URP.

We continue to believe that URP projects such as wall murals, transportation, and bringing civil lawsuits against owners of derelict properties to force demolition or rehabilitation of structures are not related to soil erosion prevention. FS and NRCS officials also believe it is not in the public interest to recover funds from organizations that completed URP projects accepted by the local steering committees. We continue to believe that misspent funds should be established as a receivable on the agencies' accounting records and determinations made regarding whether the amounts owed should be collected and/or waived. We continue to work with departmental officials to reach agreement on the management decisions.

FOREST SERVICE (FS)

FS has the responsibility for providing leadership in the protection, management, and use of the Nation's grassland and aquatic ecosystems on public and private lands. The National Forest System includes 191.8 million acres of forest, grass, and shrub lands. FS also cooperates with State and local governments and private landowners in the management of forest resources and provides leadership in forest and rangeland research. The FY 2000 budget for FS is estimated at $3.5 billion, while receipts generated through timber sales and other activities are estimated at about $845 million.

San Bernardino National Forest Land Adjustment Program Was Effective

Our audit found that the San Bernardino National Forest Land Adjustment Program was effective in acquiring only high-priority lands, properly using third parties to facilitate land exchanges, and disposing of unneeded forest lands.

Rural Development

The Rural Development mission area helps the people of rural America develop sustainable communities and improve their quality of life. Rural Development programs are delivered through three agencies: the Rural Housing Service, the Rural Business-Cooperative Service, and the Rural Utilities Service. In a typical year, Rural Development programs create or preserve more than 150,000 rural jobs, enable 40,000 to 50,000 rural Americans to buy homes, and help 450,000 low-income rural residents rent apartments or other housing.

Internal Controls Over Administrative Payment Operations Lacking

Systemic internal control deficiencies existed in the Virginia Rural Development State Office administrative procurement operations regarding the purchase, authorization, and/or receipt of goods and services. As a result, miscellaneous payments of about $286,000 were unsupported due to one or more documentation errors, and 35 purchase orders, approximating $235,000, lacked supporting documentation. Certain questionable payments are under investigation.

We recommended that the State office recover any payments confirmed to be improper in the investigation and implement controls, including separation of duties. The national office should perform a review of the State office administrative operations to ensure payment procedures are followed. Management agreed with the findings and recommendations in the report and performed a review in March 2000 of the corrective actions implemented by the State office.

RURAL HOUSING SERVICE (RHS)

RHS is responsible for making available decent, safe, sanitary, and affordable housing and community facilities by making loans and grants for rural single-family housing and apartment complexes, fire stations, libraries, hospitals, and clinics. For FY 2000, program funding for RHS loans and grants totaled $5.8 billion.

RRH Company's Regional Manager Pleads Guilty

In California, the regional manager of an RRH management company pled guilty to conspiracy to defraud the Government and filing a false income tax return. Our investigation disclosed that the manager diverted money from RRH projects by charging purchases for his personal residence to the RRH complexes, paying shell companies for landscaping services never performed, stealing money from coin-operated laundry facilities at the RRH complexes, and receiving kickbacks from contractors who provided services to the complexes. The manager is estimated to have netted $60,000 from these combined schemes. Sentencing is pending.

RURAL BUSINESS-COOPERATIVE SERVICE (RBS)

RBS enhances the quality of life for rural residents through grants or loans to rural-based cooperatives and businesses and through partnerships with rural communities. RBS national staff and Rural Development State office staff promote stable business environments in rural America through financial assistance, business promotion, and technical assistance, as well as research, education, and information.

Lender Hid Financial Condition of Borrower Who Defaulted in 16 Days

The Indiana Rural Development State Office requested the audit to determine why a borrower defaulted on a guaranteed Business and Industry (B&I) loan after only 16 days, causing RBS to pay almost $600,000. Rural Development requested that we ascertain whether loan funds had been used for authorized purposes and the lender had properly determined and reported the borrower's financial condition in requesting the B&I loan guarantee.

Our audit uncovered evidence that the lender knew of the borrower's poor financial condition before making the loan but did not disclose this information to RBS. Also, the lender knew of the borrower's delinquent tax status but certified otherwise. Further, the lender was aware that the borrower had serious cash-flow problems. The lender used over $295,000 of the guaranteed loan proceeds to pay off a prior loan it had made to the borrower and liquidate overdrawn checks. RBS had required that guaranteed loan funds be used only for working capital and not to pay short-term notes. Rural Development officials informed us they would not have guaranteed the loan if they had known the funds would be used to pay off prior obligations. In addition, the borrower had not filed Federal and State tax returns since 1995.

Based on the evidence uncovered during our audit, we referred this case for criminal investigation. We recommended that RBS seek recovery of almost $596,000 paid on the loan guarantee.

RURAL UTILITIES SERVICE (RUS)

RUS seeks to improve the quality of life in rural America through a variety of loan, loan guarantee, and grant programs for electric energy, telecommunications (including distance learning and telemedicine), and water and waste projects. As of September 30, 1999, electric borrowers had received over $58.2 billion in direct and guaranteed loans, telecommunications borrowers had received over $13.1 billion in direct loans and guaranteed loans, and water and waste borrowers had received a total of $22.7 billion in direct loans, loan guarantees, and grants.

Many RUS Telephone Loan Borrowers Do Not Need Government Assistance

RUS continues to make and service telephone loans to financially strong borrowers who likely could obtain financing from other sources. Title 7, U.S.C. 930, states that rural telephone systems are to be encouraged and assisted to develop their resources and ability to achieve the financial strength needed to enable them to satisfy their credit needs from their own organizations and other sources.

Nevertheless, we identified 434 borrowers with loans totaling $1.9 billion who had sufficient financial strength to repay their loans and/or could obtain, or be graduated to, non-Government lending sources. Their financial ratios were equal to or better than the average of those for 16 borrowers who, in 1998, had paid off RUS loans totaling $125 million an average of 22.6 years ahead of schedule. Although prohibited from denying a loan for any reason other than that based on a properly enacted administrative rule, RUS has not enacted a rule to require that borrowers who can obtain private credit at reasonable rates and terms use private resources instead of Government loans. Thus, under the current regulatory scheme, RUS does not have the discretion to refuse a loan because a borrower is in strong financial condition.

Electric Program Borrowers Are Not Investing in Rural Development as Intended by Congress

RUS electric generation and distribution borrowers did not increase their investment portfolio in rural development as intended by Congress when it amended the Rural Electrification (RE) Act to increase the amount of investments, loans, and loan guarantees that electric borrowers could make without prior approval of RUS. Of the $10.9 billion in investments reported by 787 electric program borrowers in calendar year 1997, only 90 borrowers reported about $61 million (about $^{1}/_{2}$ of 1 percent) in rural development investments.

Prior to passage of section 312 of the RE Act, borrowers were prohibited from investing more than 3 percent of the value of their total utility plant (TUP) in “non-Act” investments. In December 1987, Congress amended the RE Act to allow investment of up to 15 percent of TUP without prior approval by RUS. The legislative history shows that one of the primary purposes for increasing the level of investment was to increase the amount of funds available for rural development projects and to promote the ability of electric borrowers to improve the rural areas they serve.

Electric borrowers have taken advantage of the 15-percent investment rule; however, over 99 percent of these investments have not been in rural development. Instead, electric borrowers reported investments such as U.S. Treasury notes, stocks and bonds, money market certificates, certificates of deposit, and commercial paper. RUS agreed with our recommendation to develop and implement a strategy to encourage electric borrowers to make discretionary investment in rural areas as intended by Congress.

Research, Education, and Economics

COOPERATIVE STATE RESEARCH, EDUCATION, AND EXTENSION SERVICE (CSREES)

The Cooperative Extension System is a national network that helps the agricultural and forestry communities improve their lives and production through the dissemination and demonstration of new scientific knowledge and improved technologies. The partners in this unique system include CSREES, the Cooperative Extension Service (CES) at each land-grant institution, and nearly all of the Nation's 3,150 counties. CSREES administers funds in accordance with various laws to support the programs and creates the infrastructure of CES.

University Charged Ineligible Costs, Still Did Not Complete Construction of Funded Facility

At the request of the CSREES Administrator, we reviewed the South Carolina State University's (SCSU) use of Extension Service grant funds to determine if they were used for eligible purposes. We found that SCSU improperly used funds from its Extension program account (Public Law 95-113) to pay almost $114,000 of construction expenses related to its Extension facility account (Public Law 99-198). Use of Public Law 95-113 funds for construction-related expenses is prohibited. In addition, we identified grant funds approaching $15,000 not properly accounted for, used for ineligible purposes, or not deposited in the proper accounts.

SCSU had not completed a CSREES-funded office facility after a contract dispute interrupted construction. In 1994, SCSU entered into a $2.4 million contract for the construction of an Extension office facility. Construction on the project began in July 1994 and was to be completed within 1 year. However, problems with the architectural design and change orders, as well as disagreement between the architect and engineering firm and the construction contractor, resulted in delays and eventual termination of the contract. After more than 5 years and the expenditure of over $2 million of Federal funds, the facility remains incomplete and provides no benefit toward strengthening SCSU's capacity to carry out educational programs. SCSU estimated that an additional $1 million would be needed to complete the facility.

We made a series of recommendations for SCSU to improve its accounting controls and recommended fiscal adjustments for approximately $128,000 of Extension funds improperly used. We also recommended that because SCSU, its architect and engineering firm, and the contractor were all responsible for the project not being completed in accordance with the terms of the contract, no additional Federal funds beyond the original contract price should be used for the facility. CSREES agreed and has required SCSU to prepare a plan to complete the facility in 12 months and to secure the building until its completion.

Financial, Administrative, and Information Technology

EQUAL EMPLOYMENT OPPORTUNITY (EEO)

Complaints of Discrimination Need More Efficient Handling

As part of our continuing reviews, we found that the Office of Civil Rights (CR) remains an inefficient manager of both EEO discrimination complaints and program complaints. CR's data base is not a reliable tracking system. It did not accurately reflect where in the resolution process fully one-third of the open EEO complaints stood, and it could not identify where over 1,200 program complaints case files could be located. Further, case file documents are misfiled, and the chaotic state of CR's file room makes retrievability difficult. During our review, CR could not locate 115 of the files we requested for both EEO and program complaints.

Moreover, despite a Governmentwide timeframe of 270 days established for resolving EEO complaints, the age of those cases pending the approval of the draft reports of investigation and draft final agency decision is, on average, 474 and 668 days, respectively. For complaints of program discrimination, CR averages 126 days to decide if it will accept a case and another 174 days to investigate and adjudicate the case; together, this is longer than the 180-day time period CR gives itself to resolve program complaints.

CR's inefficiencies are reflected throughout the processing cycle and raise questions of due care in the resolution of discrimination complaints.

- EEO reports of investigation had been accepted by CR as complete even though they contained substantial errors.

- Final decisions reached in EEO cases were not always based on accurate assumptions and did not always reflect the evidence collected.

- Individuals had their program complaints rejected without being given an opportunity to provide missing information.

- Program complaints still awaited acceptance after 30 days (the limit for this phase of processing) even though the submitters had not been sent letters acknowledging receipt of the complaint or requesting additional information. (At least 454 cases exceeded the 30-day limit and may be considered backlog.)

- Of the 54 prior recommendations we had made to improve CR's program complaints processing, CR had implemented only 13.

We concluded that CR's inefficiencies are the symptoms of the larger problem of CR's operating environment. Over the past several years, because of the multiple changes in its chain of command and resultant differing demands of each new manager, CR has resorted to short-term solutions rather than long-term plans demanding accountability of employees. Previously, we recommended that CR reengineer its complaints resolution process; CR officials agreed yet implemented no significant changes.

For this seventh review, we emphasized that CR needs to design and implement a long-term plan to ensure it can resolve complaints efficiently and with due care, concentrating on process reengineering, effective leadership, a changing organizational culture, and customer focus. We also urged CR to expedite implementation of a new EEO complaints tracking system and its installation of a new program complaints data base.

Department's Original Backlog of Program Complaints Substantially Cleared, Other Concerns Remain

During our latest evaluation of the operations of CR, we reviewed the status of its original backlog of complaints of discrimination in the award of USDA program benefits to farmers and others. After 2 years, and with the help of an OIG-recommended task force, CR has been able to substantially clear this original backlog. In November 1997, the backlog stood at 1,088 cases; during our current review, the backlog had been reduced to 35 cases.

Our concern remains that the complainants in these 35 cases have not received a resolution. These complaints have been open up to 7 years, and CR's tracking system shows that eight are still in the preinvestigation stage.

Also, in clearing the original backlog, CR entered into 34 settlement agreements without adequately documenting how it arrived at the amounts of compensatory damages and debt relief it awarded the complainants. Damages awarded under settlement agreements are paid from USDA appropriations, and the awards in these 34 cases do not appear to satisfy all the requirements of appropriations law. Although the USDA task force that cleared the backlog recommended limited damages and debt relief in many cases, CR increased the amounts significantly but did not document its analysis of USDA's liability.

A DOJ opinion states that because damage awards are paid from appropriations, such awards should only be made if it is determined a court would have made a similar award. Such a determination presupposes an assessment of the degree to which USDA was liable in the case.

We found the awards to the 34 claimants who accepted settlement offers were not fully supported by documentation that reasoned USDA's degree of liability. These claimants received over $2.3 million in compensatory damages and nearly $3.7 million in debt relief. In eight of these cases, the USDA task force had found either no finding of an inference of discrimination or a low to very low potential of discrimination. None of these 34 settlements was reviewed by OGC for legal sufficiency. A subsequent memorandum issued by the Secretary has emphasized the need to submit all settlement documentation to a legal sufficiency review.

We recommended that CR's procedures require it to document the computations behind its awards of compensatory damages, debt relief, and attorneys' fees and that it submit this documentation to OGC as part of the legal sufficiency review. We also recommended that CR resolve the remaining 35 cases in the original backlog with all deliberate speed.

FINANCIAL MANAGEMENT

The Chief Financial Officers Act and the Government Management Reform Act require USDA to prepare and audit financial statements. Financial statements are generated from six separate systems operated by various USDA agencies.

Financial Statement Audits

USDA's FY 1999 Consolidated Financial Statements: Disclaimer of Opinion

Our disclaimer of opinion (for the last 6 years) means that the Department, as a whole, does not know whether it correctly reported monies to be collected in total, how much money is collected, the cost of its operations, or any other meaningful measure of financial performance. The Department has many serious financial management system problems that impact its ability to provide accurate and reliable reporting on its financial operations. The Department has reported to the President that it is unable to provide reasonable assurance that the Department's financial systems provide information that is relevant and consistently reported. This difficulty will continue until at least 2003.

The Department's existing financial information system does not always process and report Departmentwide financial information accurately. We noted that the system was not integrated with its subsystems and did not substantially comply with the three requirements of the Federal Financial Management Improvement Act (FFMIA). In addition, the delay in implementing the Department's new accounting system, the Foundation Financial Information System (FFIS), has had a significant impact on the Department's financial and program operations.

The Department has recognized the need to improve its financial systems and created the Financial Information System Vision and Strategy (FISVIS) Project Team to develop the financial systems, standards, and definitions necessary to implement FFIS. Achieving the reforms required by financial management legislation is essential to effectively manage the Department's over $118 billion in assets and budget authority of about $89 billion.

Rural Development's FY 1999 Financial Statements: Qualified Opinion

Our qualification of opinion (for the last 6 years) is due to Rural Development's inability to ensure that the costs of its direct and guaranteed loan programs are reasonably estimated as required by the Credit Reform Act of 1990.

Our Report on Internal Controls described several weaknesses. First, credit reform problems (ensuring subsidy costs are reasonably estimated) significantly impact Rural Development's financial statements and budget submissions, calling into question the reliability of the costs of Rural Development's loan programs, estimated at about $14 billion. One major shortcoming stems from the lack of historical data regarding the performance of Rural Development's long-term loans. In lieu of this information, Rural Development has relied on the judgment of program managers. No statistically valid studies are on hand, however, to support these critical assumptions. In FY 1999, the Department established a task force, to include the Office of the Chief Financial Officer (OCFO), the U.S. General Accounting Office, and OIG, that is making progress to resolve credit reform issues. However, significant work remains to be done.

We also reported a material internal control weakness with regard to controls over information technology. In addition, we reported that the oversight of guaranteed loans needed improvement and that substantial control weakness at OCFO/National Finance Center (NFC) impacted the integrity of financial management data provided to Rural Development. Further, we reported that Rural Development's financial systems do not meet Federal accounting requirements.

We recommended Rural Development participate with the Department's Chief Financial Officer in developing a long-range plan to consolidate, reengineer, and integrate financial/administrative systems.

FY 1999 Forest Service (FS) Financial Statements: Disclaimer of Opinion

FS uses a nonintegrated general ledger system, the Central Accounting System (CAS), for approximately 84 percent of its financial activity. The inability to trace individual transactions from general ledger accounts to supporting subsidiary records, along with significant financial systems weaknesses within CAS, precluded us from performing sufficient tests to obtain assurances that amounts reported in FY 1999 financial statements were fairly presented.

Our examination of FS' internal control structure disclosed FS initiated major changes to overcome continuing financial management deficiencies. However, because of the continued use of CAS and various problems occurring within FFIS, FS' financial data remained unreliable. Also, internal controls were not sufficient to safeguard assets such as Property, Plant, and Equipment, as well as Fund Balances With Treasury, which together comprise approximately 95 percent of FS assets.

Based on a statistical sample of individual real property assets, we estimated that approximately $197.8 million of the total $1.75 billion of capitalized value was not adequately supported. We also estimated the capitalized values contained approximately $135.8 million in overstatements and $79.9 million in understatements.

Food and Nutrition Service (FNS) FY 1999 Financial Statements: Unqualified Opinion

In FY 1999, FNS made progress in strengthening its internal control structure to provide a financial management system that contains sufficient discipline, effective internal controls, and reliable data. However, we identified several material internal control weaknesses that warrant corrective actions.

FNS has not corrected its internal control weakness related to FSP recipient claims, initially identified in our FY 1991 financial statements audit. However, corrective actions have been initiated with an expected implementation date of September 2001 for all State agencies. In addition, FNS twice posted an EBT reconciliation adjustment to its accounting system, resulting in an understatement of $16.3 million. FNS also did not record funds on hand for the State of Missouri, at fiscal year end, as advances for EBT system drawdowns. This ultimately caused five related general ledger accounts and six applicable financial statement line items each to be misstated by $2.6 million.

EBT processors can adjust previously submitted issuance information in the Account Management Agent (AMA) system without State knowledge or approval because of a system design flaw, which OIG first reported in FY 1997. As a result, EBT processors can gain access to a larger amount of Federal funds than authorized by the States. In response to our prior financial statements report, additional States began in FY 1999 to reconcile State issuance data to EBT processor and AMA data. This reconciliation does not prevent unauthorized adjustments from being posted to AMA, but it would identify the adjustments after the fact. FNS recently stated that the enhancement to the AMA system, to prevent unauthorized changes, would not be implemented until the first quarter of FY 2001.

FY 1999 Risk Management Agency/Federal Crop Insurance Corporation's (RMA/FCIC) Financial Statements: Unqualified Opinion

During this reporting period, we completed an audit of the FY 1999 and FY 1998 financial statements for RMA/ FCIC. RMA/FCIC received an unqualified opinion in that its financial statements fairly presented, in all material respects, its financial position as of September 30, 1999, and 1998, and its net costs, changes in net position, budgetary resources, and reconciliation of net costs to budgetary obligations. No internal control or compliance with laws and regulation deficiencies were identified that would have a material effect on the financial statements.

Rural Telephone Bank's (RTB) FY 1999 Financial Statements: Unqualified Opinion

We issued an unqualified opinion on RTB's financial statements for the year ended September 30, 1999. Our Report on Internal Controls described four weaknesses, one material, which dealt with improvements needed in controls over information technology. We also reported conditions with regard to inadequate controls over both the estimation of direct loan subsidy costs (for loans made after 1991) and the allowance for loan losses (for loans made prior to 1992). We recommended that RTB reestablish controls over the estimation of the allowance for loss for loans. Our report on compliance with laws and regulations described a material noncompliance for RTB's financial management systems, which do not meet FMFIA, FFMIA, or OMB Circular A-127 requirements.

Assessment of AARCC Shows Management Lacking Over High-Risk Investments

Our assessment of the Alternative Agricultural Research and Commercialization Corporation's (AARCC) investments was performed because of severe internal administrative and accounting control deficiencies identified during our audit of its financial statements for FY 1997. During our review of investment files maintained by AARCC at its Washington, D.C., office, we noted evidence of potential significant noncompliance with its investment agreements and possible misuse of Government funds. We concluded that the deficiencies noted left AARCC highly susceptible to fraud, waste, and abuse.

Our site visits to 11 investees and 1 grantee, which had received, in total, over $8 million in AARCC funding, disclosed significant problems. We found general noncompliance with the investment agreements and evidence that most of the projects visited did not result in any substantive job creation in rural areas or expansion of agricultural markets.

We concluded that these serious problems were attributable to the absence of effective internal administrative and accounting control policies and procedures within the corporation, poor investment decisions, and ineffective monitoring actions by AARCC. During our previous audit of AARCC's FY 1997 financial statements, we estimated that about 75 percent of AARCC's approximately $27 million portfolio was not performing, representing over $20 million in potential losses. Based on the results of this audit, we believe that AARCC's financial position may have deteriorated even further.

To illustrate the decline in its investment value, we determined that AARCC will not recoup about $6.8 million (about 85 percent) of its $8 million investment in the 11 investees visited. Four of these companies had ceased operations, and five of the companies were experiencing significant financial difficulties, including large losses and limited sales/production, to such a degree that we questioned their ability to continue as going concerns. Further, the two remaining investees were primarily producing non-AARCC products even though they used AARCC funds to assist in the production of these products.

We recommended that no further investments be made until actions were taken to resolve all material internal accounting and administrative control weaknesses we had reported. Subsequent to the release of our report, it was disclosed that AARCC would not receive any FY 2000 appropriations. The corporation has ceased operations; however, the disposition of its portfolio is still in question.

Federal Financial Management Improvement Act

USDA does not currently comply with FFMIA requirements. As required by law, the Department has developed a remediation plan that includes the various actions and target dates needed to achieve compliance. Incorporated into the Department's plan are detailed remediation plans for CCC, Rural Development, FS, and NFC.

Our overall assessment is that the Department has made progress in accomplishing its remediation plan and is generally on track with intermediate dates. However, the plan is long-term in nature: Implementation of the Department's new accounting system has an estimated completion date of October 1, 2002, and Rural Development's individual remediation plan has target dates that extend to September 2003.

INFORMATION TECHNOLOGY (IT)

Security Over USDA IT Resources Needs Improvement

Our review disclosed material internal control weaknesses in the Office of the Chief Information Officer/National Information Technology Center (OCIO/NITC) security structure. Consequently, we issued a qualified opinion to OCIO/NITC in terms of controls over protection of the OCIO/NITC network, network security monitoring and intrusion detection, specified network security procedures, and access authorities for authorized users.

We recommended OCIO/NITC take action to eliminate the cited network vulnerabilities, and implement network firewall and intrusion detection systems. We also recommended that controls over access authorities and user ID's be strengthened. OCIO agreed with all our recommendations and has initiated corrective actions.

Secure Data Transmission Techniques Need Strengthening

Our ongoing audit work relating to IT security in the Department identified a material internal control weakness. Departmental regulation requires that Privacy Act or sensitive data (i.e., computer identification numbers and passwords) be encrypted if the information is sent over the Internet. However, actions taken by departmental and agency officials to implement and/or enforce this critical requirement have been limited.

By sending sensitive data over the Department's network, which is accessible to all departmental employees and contractors, unauthorized personnel can obtain sensitive departmental data. The Department's intranet contains information that would enable unauthorized users to access USDA's most critical data bases, which control billions of dollars in assets and make billions of dollars in payments. These unauthorized users could render the Department vulnerable to inadvertent or deliberate disclosures of sensitive data.

We recommended that OCIO implement appropriate encryption techniques and other available means of securing data, and establish a departmental IT security program. OCIO concurred with the recommendations. The Department has established an IT security program and is taking steps to implement data encryption and to strengthen access security mechanisms.

Weaknesses Exist in Rural Development's IT Network

The Rural Development mission area uses a computer-assisted network among Federal, State, and local offices to accomplish its mission. Our review disclosed weaknesses in Rural Development's IT security program, involving lack of controls over the transmission of sensitive data; vulnerabilities, which could allow unauthorized access to agency data; lack of a comprehensive network risk management program; and inadequate access authorities and password controls.

We recommended Rural Development ensure sensitive data are secured when transmitted, take action to eliminate the cited network vulnerabilities, and implement a risk management program which addresses the weaknesses cited in our report. We also recommended that controls over access authorities and passwords be strengthened. Rural Development agreed with the recommendations and has initiated corrective actions.

THE HAZARDOUS MATERIALS MANAGEMENT PROGRAM (HMMP)

Since 1988, Congress has appropriated $172.6 million to clean up hazardous waste sites on property under the stewardship of the Department and defray associated administrative and legal costs. The funds are administered by HMMP and allocated to the agencies based on jointly assessed priorities. HMMP was reorganized in 1997 to give proper emphasis to USDA's Federal facilities compliance effort. The Hazardous

Materials Policy Council (HMPC) was formed in 1999 to coordinate, at an executive level, the overall USDA environmental compliance effort.

HMMP Needs Comprehensive Performance Strategy, Overall Accounting Policies

We completed an evaluation of the Department's reorganization of HMMP in preparation for an audit that would revisit the major issues on environmental compliance we had reviewed over the past decade. We recommended that the Department (1) develop a comprehensive performance strategy and procedures to measure progress and (2) improve accountability and monitoring of program funds.

Although the Department continues to work out an agenda and guidelines for HMMP, the program had progressed to the point where we found that its strategic plan should be reformulated to meet the criteria of the Government Performance and Results Act, particularly in reference to the interacting compliance goals and objectives of the participating agencies and the HMPC leadership. We also found that agencies either did not have written policies and procedures or their policies and procedures were not adequate to manage, account for, and report on funds budgeted for hazardous waste projects.

The Department generally agreed with the recommendations. HMMP has developed a comprehensive strategic plan to cover organizational structure and procedures, objectives, and measurements, together with performance goals to support the implementation of a consistent and effective departmental compliance program. A task force is working to establish policies and procedures for agencies to consistently account for hazardous waste management funds.

GOVERNMENT PERFORMANCE AND RESULTS ACT (GPRA) OF 1993

Our ongoing audit will assess the Forest Service's efforts to implement GPRA and will determine whether the agency has an effective process to establish performance goals and objectives, the process used to monitor performance measures is valid, and the source data that supports the measures are valid and verifiable.

FS' FY 1999 Annual Report was due to Congress on March 31, 2000. A preliminary draft showed that the agency was aware of problems in performance reporting and concluded that FS has not been able to objectively evaluate the contribution of its annual accomplishments, as defined by the annual performance goals and measures, toward achieving either the strategic long-term goals or objectives.

During the process of preparing the GPRA report and as a result of our ongoing audit, FS identified several weaknesses in the Management Attainment Reporting (MAR) process. FS identified cases of missing, incomplete, and inaccurate data, and concluded that the agency does not have sufficient checks in place to ensure the performance data from MAR are complete, accurate, and consistent with other data sources. Our preliminary audit results agree with FS' assessment of MAR data.

Statistical Data

AUDITS WITHOUT MANAGEMENT DECISION

The following audits did not have management decisions made within the 6-month limit imposed by Congress. Narratives for new entries follow this table. An asterisk (*) indicates that an audit is pending judicial, legal, or investigative proceedings that must be completed before the agency can act to complete management decisions.

New Since Last Reporting Period

Agency	Date Issued	Title of Report	Total Value at Issuance (in dollars)	Amount With No Mgmt. Decision (in dollars)
FNS	07/29/99	1. FSP – Cross-State Match (27601-9-KC)*	394,025	394,025
	08/23/99	2. CACFP, National Report on Program Abuse (27601-7-SF)	34,551,576	34,551,576
	09/15/99	3. Regional Food Stamp E&T Program (27601-8-At)	11,572,867	3,680,731
FSA	08/10/99	4. Evaluation of Security and Repayment of Commodity Loans (03006-13-Ch)	521,606	0
OCFO	09/29/99	5. FY1998 NFC Review of Internal Control Structure (11401-4-FM)	0	0
Multiagency	07/09/99	6. Review of the Department's Final Action Process (50801-1-HQ)	0	0
	09/29/99	7. Effective Implementation of FFIS Will Reduce USDA's Many Financial Management Problems (50801-7-FM)	0	0
RBS	10/01/99	8. B&I Loan - Indiana Farms (34099-3-Ch)	595,511	595,511
RHS	04/20/99	9. RRH Program - Owner/Manager, Olympia, WA (04801-6-SF)	346,685	346,685

Agency	Date Issued	Title of Report	Total Value at Issuance (in dollars)	Amount With No Mgmt. Decision (in dollars)
	06/03/99	10. RRH Program - Medlock Southwest Management Corporation (04099-7-Te)	73,865	73,865
	09/23/99	11. RRH Initiative - Calhoun Property Management (04801-11-Te)	12,931,081	0
RMA	08/05/99	12. CY 1998 Potato Insurance Claims in Gaines County, TX (05099-2-Te)	615,771	615,771
	09/30/99	13. Servicing of CAT Policies (05099-6-KC)	0	0

Previously Reported but Not Yet Resolved

These audits are still pending agency action or are under judicial, legal, or investigative proceedings. Details on the recommendations where management decisions had not been reached have been reported in previous Semiannual Reports to Congress. Agencies have been informed of actions that must be taken to reach management decision, but, for various reasons, the actions have not been completed. The appropriate Under and Assistant Secretaries have been notified of those audits without management decisions.

AARCC	09/30/96	14. AARCC Cooperative Agreement With Agro-Fibers, Inc. (34099-1-At)	0	0
ARS	02/08/99	15. J.A. Jones Management Services CY's 1994 and 1995 Incurred Costs (02017-4-At)	160,233	160,233
CR	09/30/98	16. Evaluation of CR Efforts To Reduce Complaints Backlog (60801-1-HQ)	0	0
	03/24/99	17. Evaluation of CR Management of Settlement Agreements (60801-2-HQ)	0	0
CSREES	03/27/97	18. Use of 4-H Program Funds - University of Illinois (13011-1-Ch)	5,633	0
	03/31/98	19. National Research Initiative Competitive Grants Program (13601-1-At)	32,757,862	32,757,862

Agency	Date Issued	Title of Report	Total Value at Issuance (in dollars)	Amount With No Mgmt. Decision (in dollars)
	09/30/98	20. Use of CSREES Grant Funds by Prairie View A&M (13011-2-Te)	1,424,983	1,239,314
FNS	09/22/97	21. CACFP - Sponsor Abuses (27601-7-KC)*	56,296	56,296
	12/07/98	22. CACFP - Family Day Care Services, Inc. - West Palm Beach, FL (27601-7-At)*	338,100	338,100
FS	07/18/96	23. FY1995 FS Financial Statements (08401-4-At)	1,150,183,750	1,150,183,750
	09/30/96	24. Real and Personal Property Issues (08801-3-At)	0	0
	03/31/97	25. Research Cooperative and Cost Reimbursable Agreements (08601-18-SF)*	468,547	468,547
	07/13/98	26. FY1997 FS Financial Statements (08401-7-At)	0	0
	08/16/98	27. Humboldt/Toiyabe National Forest Land Adjustment Program (08003-2-SF)	0	0
	08/19/98	28. Review of FS' Retroactive Redistribution (08801-4-HQ)	0	0
	08/26/98	29. Improvements on the Zephyr Cove Land Exchange (08003-4-SF)*	38,000,000	38,000,000
	09/24/98	30. FS Assistance Agreements With Nonprofit Organizations (08801-2-Te)	7,098,026	6,124,896
	01/05/99	31. Timber Sale Environmental Analysis Requirements (08801-10-At)	0	0

Agency	Date Issued	Title of Report	Total Value at Issuance (in dollars)	Amount With No Mgmt. Decision (in dollars)
	02/23/99	32. FY1998 FS Financial Statements (08401-8-At)	0	0
FSA	09/30/93	33. Disaster Payments Mitchell County, GA (03097-2-At)*	5,273,795	1,482,759
	09/07/95	34. A&B Professional Consulting, Inc. (03004-1-At)	628,976	628,976
	09/18/95	35. Management of the Dade County, FL, FSA Office (03006-1-At)	75,175,410	909,437
	09/28/95	36. Disaster Assistance Payments, Lauderdale, TN (03006-4-At)*	1,805,828	1,805,828
	01/02/96	37. 1993 Crop Disaster Payments Brooks/ Jim Hogg Cos., TX (03006-1-Te)*	2,469,829	2,418,167
	05/02/96	38. Disaster Assistance Program - 1994, Thomas County, GA (03006-13-At)*	2,177,640	2,145,533
	09/18/96	39. Emergency Feed Program in TX (03601-7-Te)*	626,182	115,425
	09/30/96	40. 1994 Disaster Assistance Program - ME (030601-1-Hy)	2,666,383	2,601,692
	04/30/98	41. Reeves County Office Operation - TX (03801-36-Te)	1,365,640	421,152
	09/30/98	42. Wool and Mohair Payment Limitation in Val Verde County, TX (03099-20-Te)*	2,432,112,	2,432,112

Agency	Date Issued	Title of Report	Total Value at Issuance (in dollars)	Amount With No Mgmt. Decision (in dollars)
	03/30/99	43. Payment Limitation - Mitchell County, GA (03006-20-At)	881,924	881,924
Multiagency	02/27/97	44. Farm Loan Programs - Civil Rights Complaint System (50801-2-HQ)	0	0
	03/25/98	45. Verification of Data Input Into NFC Payroll/Personnel System (50099-11-FM)	27,259	27,259
	02/01/99	46. FY 1998 Rural Development Financial Statements (50401-28-FM)	0	0
	02/22/99	47. FY 1998 USDA Consolidated Financial Statements (50401-30-FM)	0	0
	07/16/98	48. FY 1997 USDA Financial Statements (50401-24-FM)	0	0
RHS	08/10/98	49. Self-Help Housing Program - Grizzly Hollow Project, Galt, CA (04801-2-SF)*	0	0
	01/08/99	50. RRH Program - Dujardin Property Management, Inc., Everett, WA (04801-5-SF)*	195,694	195,694
	02/13/99	51. RRH - Initiative in NC (04801-7-At)	109,653	109,653
	03/12/99	52. RRH - Nationwide Initiative - PA (04801-3-Hy)	82,324	81,646
	03/25/99	53. Guaranteed Rural Housing Loan Program (04601-2-At)	139,220,122	215,030

Agency	Date Issued	Title of Report	Total Value at Issuance (in dollars)	Amount With No Mgmt. Decision (in dollars)
	03/31/99	54. RRH - Nationwide Initiative in NE - Bosley Management, Inc., Sheridan, WY (04801-3-KC)	233,958	233,958
RMA	01/31/94	55. Tobacco Indemnity Payments, Mitchell County, GA (05099-22-At)	88,631	88,631
	09/30/97	56. Crop Insurance on Fresh Market Tomatoes (05099-1-At)	15,082,744	444,210
	03/03/98	57. Transfer of CAT Policies to Reinsured Companies (05601-1-KC)	0	0
	03/10/98	58. FY 1998 FCIC Financial Statements Report on Management Issues (05401-6-FM)	0	0
	04/10/98	59. Crop Insurance Claims (05601-1-KC)	126,787	78,986
	07/14/98	60. Quality Control for Crop Insurance Determinations (05099-2-KC)	0	0
	12/16/98	61. Crop Insurance on Nurseries (05099-2-At)	3,963,468	3,963,468
	03/10/99	62. FY 1998 FCIC Financial Statements Report on Management Issues (05099-2-KC)	0	0
	03/16/99	63. Preventive Planting of 1996 Insured Crops (05601-5-Te)	158,430	139,612

Audits Without Management Decision - Narrative for New Entries

1. FSP – Cross-State Match, Issued July 29, 1999

We performed a cross-State computer match of FSP within Nebraska, Kansas, Iowa, Missouri, Indiana, Illinois, and Wisconsin of program participants' social security numbers to determine if they were receiving food stamp benefits in more than one State during the same months. We identified 147 food stamp participants who received benefits in more than 1 State simultaneously, resulting in overissuances of about $99,000. Administrative action cannot be taken until pending investigations are completed.

2. CACFP, National Report on Program Abuse, Issued August 23, 1999

This report presented our analysis of audits and investigations completed as part of the nationwide initiative known as Operation "Kiddie Care." We found CACFP had attracted opportunistic sponsors who took advantage of a program delivery system that placed primary controls of CACFP in their hands. FNS needs to study alternative methods of delivering a meal program to children and adults to address the problems we found in the private, nonprofit organizations included in our review. We made 23 recommendations to eliminate structural program flaws, strengthen internal controls, and clarify program requirements in CACFP. We have accepted management decision on six of these recommendations. Ten recommendations will be resolved upon publication of the proposed CACFP integrity rule currently in the clearance process. FNS has responded to us on the remaining recommendations, and we are working with the agency to resolve them.

3. Regional Food Stamp Employment and Training Program, Issued September 15, 1999

This audit identified material deficiencies in the Georgia State agency's procedures for charging costs to the Employment and Training grant, resulting in cost adjustments of $4.6 million for FY 1998. The cost deficiencies continued in FY 1999. The FNS regional office must complete an indepth validation review of the State agency's 1999 cost claims, make appropriate fiscal recoveries, and confirm that the State has implemented sufficient corrective measures to prevent further overclaims.

4. Evaluation of Security and Repayment of Commodity Loans, Issued August 10, 1999

FSA does not document the time of day that commodity spot-checks are performed, loan payments are received, and marketing authorizations are requested, and county committees were not considering such information in determining if producers acted in good faith when violations were found. FSA agreed to issue to all county offices a notice that instructs personnel on procedures to follow in dealing with program violations. We await supporting documentation for the proposed management decisions.

5. FY 1998 NFC Review of Internal Control Structure, Issued September 29, 1999

During FY 1998, in response to our audit, OCFO began comprehensive, time-phased corrective actions. Our review found that material weaknesses remained in the areas of accounting adjustments and reconciliations, systems documentation, and conformance with the U.S. Standard General Ledger. We are working with OCFO to obtain management decision.

6. Review of the Department's Final Action Process, Issued July 9, 1999

Our evaluation disclosed that, in numerous instances, corrective actions on audit recommendations have not been implemented in a timely manner. We recommended that departmental regulations be amended to incorporate a formal process for elevating audits to the Secretariat level where final action has not been completed in the mandated 1-year timeframe. OCFO has not agreed to amend departmental regulations, stating ongoing interaction between OCFO and the agencies meets the intent of the recommendation.

7. Effective Implementation of FFIS Will Reduce USDA's Many Financial Management Problems, Issued September 29, 1999

Since 1992, we have reported on the many severe and longstanding financial management problems in the Department. To aid in correcting these problems, the Department is implementing FFIS. Our current review disclosed that several existing weaknesses and prior decisions by OCFO to interface existing feeder systems have resulted in FFIS implementation problems. OCFO has made numerous and substantive changes to correct the serious impediments to the effective implementation of FFIS. However, OCFO is unable to provide estimated timeframes for implementing our recommendation related to consolidating, integrating, and reengineering the feeder systems. The agency plans to have estimated timeframes after a contractor completes an independent analysis.

8. B & I Loan - Indiana Farms, Issued October 1, 1999

We recommended that Rural Development recover the $595,511 paid on the loan guarantee, and its officials have agreed. Due to the ongoing criminal investigation, administrative action cannot be taken at this time.

9. RRH Program – Owner/Manager, Olympia, WA, Issued April 20, 1999

The results of the audit were referred for investigation. RHS and Rural Development have been instructed to take no further action pending completion of the investigation.

10. RRH Program – Medlock Southwest Management Corporation, Issued June 3, 1999

We determined the management company misused $73,865 in reserve funds. Instead of depositing the money in restrictive reserve accounts for the properties, as required, the management company deposited it into the operating accounts of the properties and used it for unauthorized purposes. In addition, we determined the bank released $73,865 from nine properties' supervised bank reserve accounts to the general partner without obtaining RHS authorization. We recommended that RHS consult with OGC and determine the appropriate collection effort to recover $73,865 from the management company and the bank. Rural Development has issued demand letters to the management company and bank; however, the funds have not been recovered nor has an account receivable been established. We continue to work with agency officials to resolve this matter.

11. RRH Initiative – Calhoun Property Management, Issued September 23, 1999

Results of the audit were referred for investigation. RHS and Rural Development have been instructed to take no further action pending completion of the investigation.

12. CY 1998 Potato Insurance Claims in Gaines County, TX, Issued August 5, 1999

The insured received $777,317 for 1998 crop year losses on 490 acres of potatoes. We found that insurance policy provisions were violated because the potato seeds used for planting were not adapted to the area. The seed purchased from a firm in North Dakota did not produce a crop. We recommended recovery of $615,771 because the potato seed variety on 100 acres might have been used in past years. RMA has agreed with our recommendation to recover funds but has not established a claim against the insured.

13. Servicing of CAT Policies, Issued September 30, 1999

This audit followed up on a previous review of the transfer of catastrophic risk protection (CAT) policies to reinsured companies. The current audit identified similar issues. These problems included inadequate servicing provided to limited-resource producers, the CAT program's underperformance in meeting producer needs, and RMA's insufficient oversight. In its response to the final report, the agency did not provide sufficient information to reach management decision on six recommendations. After numerous informal discussions, a satisfactory response was provided for two of the six recommendations.

Indictments and Convictions

Between October 1. 1999, and March 31, 2000, OIG completed 253 investigations. We referred 171 cases to Federal, State, and local prosecutors for their decision.

During the reporting period, our investigations led to 241 indictments and 208 convictions. The period of time to obtain court action on an indictment varies widely; therefore, the 208 convictions do not necessarily relate to the 241 indictments. Fines, recoveries/collections, restitutions, claims established, cost avoidance, and administrative penalties resulting from our investigations totaled about $126.4 million.

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

Indictments and Convictions
October 1, 1999 - March 31, 2000

Agency	Indictments	Convictions*
AMS	23	19
APHIS	3	6
ARS	3	0
FAS	3	2
FNS	146	139
FSA	34	28
FSIS	12	7
FS	0	1
NRCS	5	2
RHS	3	3
RMA	9	1
Totals	241	208

* This category includes pretrial diversions.

The Office of Inspector General 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 839 complaints, which included allegations of participant fraud, employee misconduct, and mismanagement, as well as opinions about USDA programs. Figure 3 displays the volume and type of the complaints we received, and figure 4 displays the disposition of those complaints.

Figure 3

Hotline Complaints
October 1, 1999, to March 31, 2000
(Total = 839)

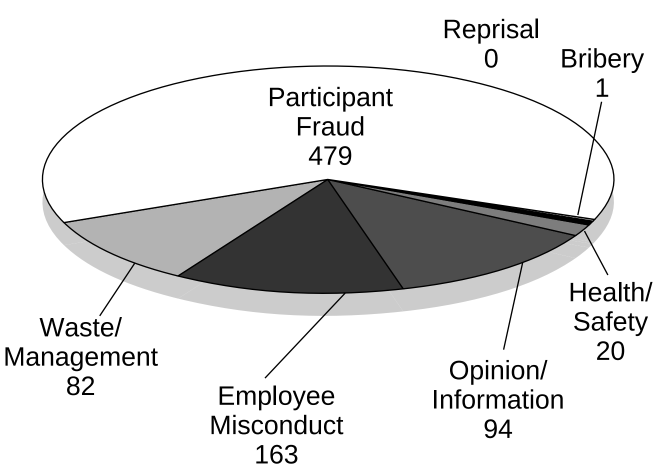
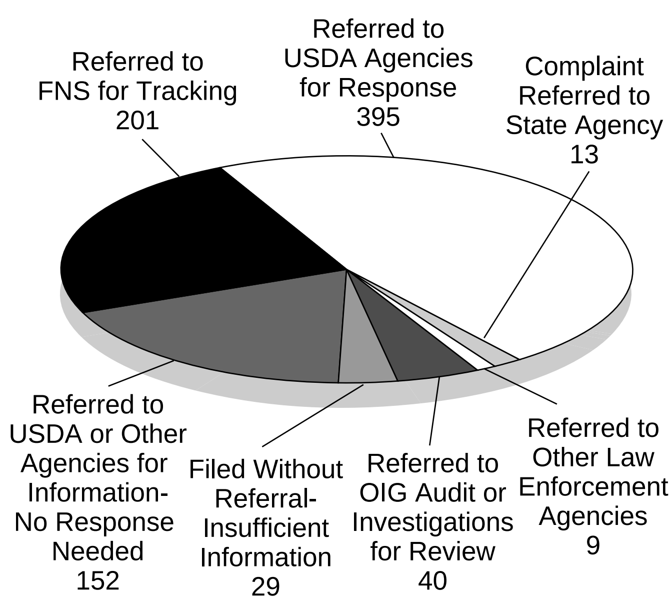


Figure 4

Disposition of Complaints
October 1, 1999, to March 31, 2000



Freedom of Information Act (FOIA) and Privacy Act (PA) Requests for the Period October 1, 1999, to March 31, 2000

Number of FOIA/PA Requests Received		263
Number of FOIA/PA Requests Processed:		282
Number of Requests Granted in Full	171	
Number of Requests Granted in Part	55	
Number of Requests Not Granted	39	
Reasons for Denial:		
No Records Available	8	
Requests Denied in Full	18	
Referrals	15	

Requests for OIG Reports From Congress and Other Government Agencies		
Received	82	
Processed	88	

Appeals Processed		6
Appeals Completely Reversed	0	
Appeals Completely Upheld	5	
Appeals Partially Reversed	0	
Appeals Withdrawn	1	

Number of OIG Reports Released in Response to Requests		254

NOTE: A request may involve more than one report.

Appendix I

INVENTORY OF AUDIT REPORTS ISSUED
WITH QUESTIONED COSTS AND LOANS

		DOLLAR VALUES	
	NUMBER	QUESTIONED COSTS AND LOANS	UNSUPPORTED [a] COSTS AND LOANS
A. FOR WHICH NO MANAGEMENT DECISION HAD BEEN MADE BY OCTOBER 1, 1999	57	$246,748,747	$70,853,432
B. WHICH WERE ISSUED DURING THIS REPORTING PERIOD	22	1,945,037,798	20,966,889
TOTALS	79	$2,191,786,545	$91,820,321
C. FOR WHICH A MANAGEMENT DECISION WAS MADE DURING THIS REPORTING PERIOD	22		
(1) DOLLAR VALUE OF DISALLOWED COSTS			
RECOMMENDED FOR RECOVERY		$36,944,564	$2,535,466
NOT RECOMMENDED FOR RECOVERY		$28,833,903	
(2) DOLLAR VALUE OF COSTS NOT DISALLOWED		12,536,119	2,113,770
D. FOR WHICH NO MANAGEMENT DECISION HAS BEEN MADE BY THE END OF THIS REPORTING PERIOD	57	2,115,282,363	87,171,085
REPORTS FOR WHICH NO MANAGEMENT DECISION WAS MADE WITHIN 6 MONTHS OF ISSUANCE	41	199,477,037	66,205,860

[a]Unsupported values are included in questioned values.

Appendix II

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

	NUMBER	DOLLAR VALUE
A. FOR WHICH NO MANAGEMENT DECISION HAD BEEN MADE BY OCTOBER 1, 1999	22	$253,312,909
B. WHICH WERE ISSUED DURING THE REPORTING PERIOD	6	607,861,077
TOTALS	28	$861,173,986
C. FOR WHICH A MANAGEMENT DECISION WAS MADE DURING THE REPORTING PERIOD	6	
(1) DOLLAR VALUE OF DISALLOWED COSTS		$35,117,183
(2) DOLLAR VALUE OF COSTS NOT DISALLOWED		13,553,804
D. FOR WHICH NO MANAGEMENT DECISION HAS BEEN MADE BY THE END OF THE REPORTING PERIOD	22	812,502,999
REPORTS FOR WHICH NO MANAGEMENT DECISION WAS MADE WITHIN 6 MONTHS OF ISSUANCE	17	204,770,383

Appendix III

**SUMMARY OF AUDIT REPORTS RELEASED
BETWEEN OCTOBER 1, 1999, AND MARCH 31, 2000**

DURING THE 6-MONTH PERIOD BETWEEN OCTOBER 1, 1999, AND MARCH 31, 2000, THE OFFICE OF INSPECTOR GENERAL ISSUED 59 AUDIT REPORTS, INCLUDING 7 PERFORMED BY OTHERS.

THE FOLLOWING IS A SUMMARY OF THOSE AUDITS BY AGENCY:

AGENCY	AUDITS RELEASED	QUESTIONED COSTS AND LOANS	UNSUPPORTED[a] COSTS AND LOANS	FUNDS BE PUT TO BETTER USE
AGRICULTURAL MARKETING SERVICE	1	$28,005,521		
AGRICULTURAL RESEARCH SERVICE	2			
FARM SERVICE AGENCY	5	$2,295,051		$2,794,586
RURAL HOUSING SERVICE	2	$1,500		
RISK MANAGEMENT AGENCY	4	$5,971,666		
FOREST SERVICE	4			
RURAL UTILITIES SERVICE	4	$1,874,577,197		$602,260,826
NATURAL RESOURCES CONSERVATION SERVICE	1	$784,562		
OFFICE OF THE CHIEF FINANCIAL OFFICER	1			
COOPERATIVE STATE RESEARCH, EDUCATION, AND EXTENSION SERVICE	1			$128,461
OFFICE OF OPERATIONS	2	$82,951		
FOOD AND NUTRITION SERVICE	11	$11,047,941	$315,375	$643,600
ANIMAL AND PLANT HEALTH INSPECTION SERVICE	2	$2,851		
RURAL BUSINESS-COOPERATIVE SERVICE	3	$1,141,749		
ALTERNATIVE AGRICULTURAL RESEARCH AND COMMERCIALIZATION CORPORATION	1			
MULTIAGENCY	10	$21,126,809	$20,651,514	$2,033,604
CIVIL RIGHTS	2			
RURAL DEVELOPMENT	2			
OFFICE OF THE CHIEF INFORMATION OFFICER	1			
TOTALS	59	$1,945,037,798	$20,966,889	$607,861,077

TOTAL COMPLETED:	
SINGLE AGENCY AUDIT	42
MULTIAGENCY AUDIT	8
SINGLE AGENCY EVALUATION	7
MULTIAGENCY EVALUATION	2
TOTAL RELEASED NATIONWIDE	59
TOTAL COMPLETED UNDER CONTRACT[b]	7
TOTAL SINGLE AUDIT ISSUED[c]	3

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

AUDIT REPORTS RELEASED AND ASSOCIATED MONETARY VALUES
BETWEEN OCTOBER 1, 1999, AND MARCH 31, 2000

AUDIT NUMBER RELEASE DATE	TITLE		QUESTIONED COSTS AND LOANS	UNSUPPORTED COSTS AND LOANS	FUNDS BE PUT TO BETTER USE
AGRICULTURAL MARKETING SERVICE					
01-099-0001-SF 2000/02/15	DOMESTIC ORIGIN PROVISIONS OF THE COMMODITY PURCHASE PROGRAM		$28,005,521		
TOTAL: AGRICULTURAL MARKETING SERVICE		1	$28,005,521		
AGRICULTURAL RESEARCH SERVICE					
02-017-0015-HY 1999/12/03	BIONETICS CORP. FY 1994 & 1995 INCURRED COST AUDITS				
02-017-0016-HY 2000/03/06	BIONETICS CORP-1996 INCURRED COST AUDIT				
TOTAL: AGRICULTURAL RESEARCH SERVICE		2			
FARM SERVICE AGENCY					
03-006-0021-AT 2000/01/13	PAYMENT LIMITATION REVIEW - THOMAS COUNTY, GA		$661,072		
03-099-0023-TE 2000/01/14	PAYMENT LIMITATION IN ST LANDRY PRISH, LA		$1,263,243		
03-099-0032-KC 1999/12/22	CONTROLS OVER ADMINISTRATIVE PROGRAM OPERATIONS				
03-601-0015-KC 2000/03/31	EMERGENCY CONSERVATION PROGRAM		$155,911		$2,794,586
03-601-0035-TE 1999/12/14	1996 FAIR ACT PROVISIONS AFFECTING FARM LOAN PROGRAMS LOAN SERVICING		$214,825		
TOTAL: FARM SERVICE AGENCY		5	$2,295,051		$2,794,586
RURAL HOUSING SERVICE					
04-099-0009-TE 1999/12/14	VERIFICATION OF MEDLOCK MANAGED PROPERTY EXPENSES		$1,500		
04-601-0005-SF 2000/03/31	FARM LABOR HOUSING PROGRAM - NATIONWIDE REVIEW				
TOTAL: RURAL HOUSING SERVICE		2	$1,500		
RISK MANAGEMENT AGENCY					
05-099-0001-HQ 2000/03/31	OIG-RMA ROUNDTABLE MEETING				
05-099-0008-KC 2000/03/31	STANDARD REINSURANCE AGREEMENT (SRA) REPORTING REQUIREMENTS		$5,971,666		
05-401-0007-FM 2000/02/11	FY 1999 FCIC FINANCIAL STATEMENTS				
05-401-0008-FM 2000/03/30	FY 1999 FCIC FINANCIAL STATEMENTS REPORT ON MANAGEMENT ISSUES				
TOTAL: RISK MANAGEMENT AGENCY		4	$5,971,666		
FOREST SERVICE					
08-401-0009-AT 2000/02/25	FY 1999 FS FINANCIAL STATEMENTS				
08-801-0006-SF 2000/01/19	LAND ADJUSTMENT PROGRAM - SAN BERNARDINO NATIONAL FOREST				
08-801-0013-AT 2000/03/31	NATIONAL FIRE CACHE SYSTEM				
08-801-0014-AT 2000/01/28	FS CONSULTING SERVICES FOR FY 1999				
TOTAL: FOREST SERVICE		4			

AUDIT REPORTS RELEASED AND ASSOCIATED MONETARY VALUES
BETWEEN OCTOBER 1, 1999, AND MARCH 31, 2000

AUDIT NUMBER RELEASE DATE	TITLE		QUESTIONED COSTS AND LOANS	UNSUPPORTED COSTS AND LOANS	FUNDS BE PUT TO BETTER USE
RURAL UTILITIES SERVICE					
09-016-0001-TE 2000/02/11	TELEPHONE LOAN PROGRAM POLICIES AND PROCEDURES		$1,874,577,197		$602,260,826
09-401-0005-FM 2000/02/25	MONITORING OF FY 1999 RURAL TELEPHONE BANK FINANCIAL STATEMENT AUDIT				
09-401-0006-FM 2000/03/30	RURAL TELEPHONE BANK FY 1999 REPORT ON MANAGEMENT ISSUES				
09-601-0001-TE 2000/03/13	ELECTRIC GENERATION AND DISTRIBUTION BORROWER INVESTMENTS				
TOTAL: RURAL UTILITIES SERVICE		4	$1,874,577,197		$602,260,826
NATURAL RESOURCES CONSERVATION SERVICE					
10-601-0001-TE 2000/03/31	NRCS CONTRACTING, PROCUREMENT, AND DISBURSEMENT ACTIVITIES		$784,562		
TOTAL: NATURAL RESOURCES CONSERVATION SERVICE		1	$784,562		
OFFICE OF THE CHIEF FINANCIAL OFFICER					
11-401-0006-FM 1999/12/08	AGREED-UPON PROCEDURES: RET., HEALTH AND LIFE INS., & HEADCOUNT INFO SUBMITTED TO OPM				
TOTAL: OFFICE OF THE CHIEF FINANCIAL OFFICER		1			
COOPERATIVE STATE RESEARCH, EDUCATION, AND EXTENSION SERVICE					
13-011-0002-AT 2000/03/30	EXTENSION FUNDS – SC STATE UNIVERSITY				$128,461
TOTAL: COOPERATIVE STATE RESEARCH, EDUCATION AND EXTENSION SERVICE		1			$128,461
OFFICE OF OPERATIONS					
23-017-0008-HY 1999/12/08	FU ASSOCIATES INCURRED COST AUDIT FOR FY ENDED DECEMBER 1996 THRU 1998		$82,951		
23-099-0001-FM 2000/03/30	SECURITY OVER DATA TRANSMISSION NEEDS IMPROVEMENT				
TOTAL: OFFICE OF OPERATIONS		2	$82,951		
FOOD AND NUTRITION SERVICE					
27-010-0003-KC 2000/03/22	CACFP - NATIONAL INITIATIVE TO IDENTIFY PROBLEM SPONSORS		$319,279	$313,711	
27-010-0013-CH 2000/03/22	NSLP-PROCUREMENT AND MEAL ACCOUNTABILITY IN DETROIT PUBLIC SCHOOLS				$143,740
27-010-0019-SF 1999/11/18	SMART START - SUMMER FEEDING PROGRAM		$506,438		$499,860
27-016-0003-CH 2000/01/07	WIC FOOD DELIVERY SYSTEMS - VENDOR COMPLIANCE				
27-017-0019-HY 1999/12/09	ABT ASSOCIATES- FY 95 THROUGH FY 97 INCURRED COST AUDIT		$1,664	$1,664	
27-099-0004-KC 2000/01/31	FOOD STAMP PROGRAM PARTICIPATION BY BANNED RETAILERS		$122,794		
27-099-0009-HY 1999/12/14	AUDIT OF STATE OPTION FOOD STAMP		$10,097,066		
27-401-0017-HY 2000/02/01	FY 1999 FNS FINANCIAL STATEMENTS				
27-601-0009-AT 2000/01/13	CHILD AND ADULT CARE FOOD PROGRAM		$700		

AUDIT REPORTS RELEASED AND ASSOCIATED MONETARY VALUES
BETWEEN OCTOBER 1, 1999, AND MARCH 31, 2000

AUDIT NUMBER RELEASE DATE	TITLE		QUESTIONED COSTS AND LOANS	UNSUPPORTED COSTS AND LOANS	FUNDS BE PUT TO BETTER USE
27-601-0021-CH 2000/03/03	CHILD AND ADULT CARE FOOD PROGRAM IN OHIO				
27-801-0005-TE 2000/03/31	LOUISIANA EBT SYSTEM DEVELOPMENT				
	TOTAL: FOOD AND NUTRITION SERVICE	11	$11,047,941	$315,375	$643,600
ANIMAL AND PLANT HEALTH INSPECTION SERVICE					
33-004-0001-AT 2000/03/07	PLANT PROTECTION AND QUARANTINE ACTIVITIES IN FLORIDA		$2,851		
33-801-0003-AT 1999/10/27	USDA'S EFFORTS TO PROTECT MARINE MAMMALS				
	TOTAL: ANIMAL AND PLANT HEALTH INSPECTION SERVICE	2	$2,851		
RURAL BUSINESS-COOPERATIVE SERVICE					
34-004-0005-HY 2000/02/18	EVALUATION OF PROCUREMENT OPERATIONS - VIRGINIA STATE OFFICE		$546,238		
34-017-0001-KC 2000/01/05	PRAIRIE PUBLIC BROADCASTING, INC. INDIRECT COST RATE				
34-099-0003-CH 1999/10/01	BUSINESS AND INDUSTRY LOAN - INDIANA FARMS PORK MARKETING		$595,511		
	TOTAL: RURAL BUSINESS-COOPERATIVE SERVICE	3	$1,141,749		
ALTERNATIVE AGRICULTURAL RESEARCH AND COMMERCIALIZATION CORPORATION					
37-099-0001-FM 1999/11/30	ASSESSMENT OF AARC CORPORATION INVESTMENTS				
	TOTAL: ALTERNATIVE AGRICULTURAL RESEARCH AND COMMERCIALIZATION CORPORATION	1			
MULTIAGENCY					
50-018-0008-HY 2000/02/15	COMMONWEALTH OF PENNSYLVANIA SINGLE AUDIT A-133, STATE FISCAL YEAR ENDED JUNE 30, 1998				
50-020-0045-KC 1999/10/19	A-128 ROSEBUD SIOUX TRIBE (FY 9/95), ROSEBUD, SD		$587		
50-020-0071-HY 1999/12/10	D.C. DEPARTMENT OF HUMAN SERVICES A-128, SEPT. 30, 1994, 1995 AND 1996		$92,514	$92,514	
50-099-0003-HQ 1999/12/02	REVIEW OF THE YEAR 2000 DAY ONE STRATEGIES				
50-099-0008-SF 2000/03/15	PUBLIC FINANCIAL DISCLOSURE REPORTING SYSTEM FOR FOREST SERVICE EMPLOYEES				
50-401-0035-FM 2000/02/22	FY 1999 USDA CONSOLIDATED FINANCIAL STATEMENTS				
50-601-0007-KC 2000/03/07	CRP APPEAL PROCESS SIGNUP 15				$2,033,604
50-601-0008-KC 2000/01/25	CONSERVATION RESERVE PROGRAM ACREAGE ENROLLMENTS UNDER SIGNUP 18				
50-801-0001-TE 1999/11/02	URBAN RESOURCES PARTNERSHIP		$21,033,708	$20,559,000	
50-801-0008-AT 2000/03/21	EVALUATION OF USDA'S REORGANIZATION OF ITS HAZARDOUS MATERIALS MANAGEMENT PROGRAM				
	TOTAL: MULTIAGENCY	10	$21,126,809	$20,651,514	$2,033,604

AUDIT REPORTS RELEASED AND ASSOCIATED MONETARY VALUES
BETWEEN OCTOBER 1, 1999, AND MARCH 31, 2000

AUDIT NUMBER RELEASE DATE	TITLE		QUESTIONED COSTS AND LOANS	UNSUPPORTED COSTS AND LOANS	FUNDS BE PUT TO BETTER USE
CIVIL RIGHTS					
60-801-0003-HQ 2000/03/10	EVALUATION REPORT FOR THE SECRETARY ON CIVIL RIGHTS ISSUES - PHASE 7				
60-801-0004-HQ 2000/03/10	STATUS OF RECOMMENDATIONS MADE IN PRIOR EVALUATIONS OF PROGRAM COMPLAINTS				
TOTAL: CIVIL RIGHTS		2			
RURAL DEVELOPMENT					
85-099-0001-FM 2000/03/30	REVIEW OF RURAL DEVELOPMENT’S FEDERAL INFORMATION SYSTEM CONTROLS				
85-401-0001-FM 2000/02/22	FY 1999 RURAL DEVELOPMENT FINANCIAL STATEMENTS				
TOTAL: RURAL DEVELOPMENT		2			
CHIEF INFORMATION OFFICER					
88-099-0001-FM 1999/12/10	NATIONAL INFORMATION TECHNOLOGY CENTER GENERAL CONTROLS - FY 1998				
TOTAL: CHIEF INFORMATION OFFICER		1			
TOTAL: RELEASE - NATIONWIDE		59	$1,945,037,798	$20,966,889	$607,861,077

Abbreviations of Organizations

AARCC	Alternative Agricultural Research and Commercialization Corporation
AMS	Agricultural Marketing Service
APHIS	Animal and Plant Health Inspection Service
ARS	Agricultural Research Service
BATF	Bureau of Alcohol, Tobacco, and Firearms
CCC	Commodity Credit Corporation
CES	Cooperative Extension Service
CR	Office of Civil Rights
CSREES	Cooperative State Research, Education, and Extension Service
DOJ	Department of Justice
DCDHS	District of Columbia Department of Human Services
EPA	Environmental Protection Agency
FAS	Foreign Agricultural Service
FBI	Federal Bureau of Investigation
FCIC	Federal Crop Insurance Corporation
FDA	U.S. Food and Drug Administration
FNS	Food and Nutrition Service
FS	Forest Service
FSA	Farm Service Agency
FSIS	Food Safety and Inspection Service
GAO	U.S. General Accounting Office
HMPC	Hazardous Materials Policy Council
IRS	Internal Revenue Service
NFC	National Finance Center
NRCS	Natural Resources Conservation Service
OCFO	Office of the Chief Financial Officer
OGC	Office of the General Counsel
OIG	Office of Inspector General
OMB	Office of Management and Budget
RBS	Rural Business-Cooperative Service
RHS	Rural Housing Service
RMA	Risk Management Agency
RUS	Rural Utilities Service
SCSU	South Carolina State University
TDHS	Tennessee Department of Human Services
USDA	U.S. Department of Agriculture

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