United States General Accounting Office

GAO

Report to the Chairman, Committee on Agriculture, Nutrition, and Forestry, U.S. Senate

April 1998

Commodity Credit Corporation

Information on the Availability, Use, and Management of Funds

GAO/RCED-98-114

GAO

United States
General Accounting Office
Washington, D.C. 20548

Resources, Community, and
Economic Development Division

B-279384

April 28, 1998

The Honorable Richard G. Lugar
Chairman, Committee on Agriculture,
Nutrition, and Forestry
United States Senate

Dear Mr. Chairman:

As the federal government's financing arm for an array of domestic and international agricultural programs, the government-owned and -operated Commodity Credit Corporation (CCC) has had a significant impact on the nation's agricultural economy. Located within the U.S. Department of Agriculture (USDA), CCC was established in 1933 to stabilize, support, and protect farm incomes and prices and to assist in maintaining balanced and adequate supplies of agricultural commodities and in facilitating their orderly distribution. CCC carries out this mission by financing a variety of income and commodity support programs through direct payments and loans. These programs assist producers in the production and marketing of agricultural commodities such as feed grains, wheat, rice, and cotton. In addition, CCC's mission has been expanded in recent years to include the financing of a range of commodity export, resource conservation, and disaster assistance programs. Among other things, these programs are intended to enhance the price competitiveness of U.S. commodities in foreign markets, assist producers in implementing conservation practices on their farms, and indemnify producers for the extraordinary losses of crops or livestock resulting from weather-related disasters and pest infestations. CCC itself has no employees; its operations are carried out principally through the personnel and facilities of USDA's Farm Service Agency (FSA), Foreign Agricultural Service (FAS), and Natural Resources and Conservation Service (NRCS).

CCC finances its operations through two basic mechanisms. First, most of its programs are financed through a borrowing authority of up to $30 billion; CCC borrows these funds from the Department of the Treasury. This borrowing authority is akin to an open line of credit—CCC obtains funds by borrowing against this line of credit on an as-needed basis. CCC receives annual appropriations for its net losses (expenditures that the Corporation will never recover, such as payments to producers) from operations financed through its borrowing authority. These appropriations, along with receipts from some CCC programs (such as loan repayments from producers), enable CCC to repay its debt to the Treasury, thereby replenishing its borrowing authority. Second, CCC finances several of its commodity export programs through direct annual appropriations and other funding.

Given the diversity of CCC's operations and the magnitude of its borrowing authority, you asked us to provide information on how CCC funds are spent and controlled. Specifically, you asked for information on (1) how much money CCC had available and spent in fiscal years 1996 and 1997, including the sources of these funds and the programs and activities for which they were used; (2) what management practices are used to control CCC funds; and (3) whether CCC's funding for administrative purposes (such as the purchase of computer and telecommunications equipment and services) fell within relevant statutory funding caps in fiscal years 1996 and 1997, and whether the programs CCC funded had a statutory basis for using CCC funds.

Results in Brief

The amount of funds available to the Commodity Credit Corporation through its $30 billion borrowing authority fluctuates as the Corporation alternately borrows against and/or replenishes the authority every business day. To enable the Corporation to repay its debt associated with the borrowing authority, the Congress made appropriations to the Corporation totaling $10.5 billion in fiscal year 1996 and $1.5 billion in fiscal year 1997. The Corporation also received about $6.9 billion and $5.7 billion in program receipts—in fiscal years 1996 and 1997, respectively—that it also used to replenish its borrowing authority. In addition, the Corporation received separate appropriations and other funding (such as carryover funds from prior years) totaling $2.1 billion in fiscal year 1996 and $1.9 billion in fiscal year 1997 to fund several of its commodity export programs that are not funded through its borrowing authority.

Most of the Corporation's net outlays (expenditures that take into account offsetting receipts) made through its borrowing authority were for its income and commodity support programs—about $4.4 billion and $5.1 billion, in fiscal years 1996 and 1997, respectively.[1] The remaining outlays made in these years—about $640 million and $2.3 billion, respectively—were primarily for the Corporation's other programs; however, some were used for administrative purposes, such as purchasing

[1]For a given fiscal year, there is no direct correlation between the appropriations made to CCC to repay the debt associated with the borrowing authority and the net outlays CCC makes with borrowing authority funds. This is because the appropriations are made primarily to reimburse CCC for net realized losses incurred in prior fiscal years.

computer and telecommunications equipment and reimbursing U.S. Department of Agriculture agencies and other government entities for services provided to support the Corporation's operations. In addition to the net outlays associated with its borrowing authority, the Corporation had net outlays of about $334.4 million in fiscal year 1996 and $38.7 million in fiscal year 1997 for the commodity export programs that received direct appropriations and other funding.

A range of management practices are used to control the Corporation's funds. These practices include controls over spending related to the annual budget and apportionment processes; the Corporation's periodic reports of its financial activities to the Congress; the Farm Service Agency's implementation of internal controls to protect the Corporation's assets and account for its financial transactions; program managers' allocation and monitoring of the Corporation's funds used in their programs; and periodic reviews of program activity by compliance staff from the agencies that implement the Corporation's programs. In addition, the U.S. Department of Agriculture's Office of Inspector General audits the Corporation's annual financial statements, including its year-end expenditure reports. In a July 1997 report, the Office of Inspector General noted problems with some of the Farm Service Agency's internal controls, which it believes could adversely affect the Corporation's ability to prepare reliable financial statements and account for its assets.

We found no instances in fiscal years 1996 and 1997 in which the Corporation's funding for administrative uses exceeded the relevant statutory funding caps. Furthermore, each Corporation program has a statutory basis for using the Corporation's funds.

Background

CCC was originally incorporated in 1933 under a Delaware charter and was reincorporated in 1948 as a federal corporation within USDA by the Commodity Credit Corporation Charter Act (P.L. 80-806, June 29, 1948). Although CCC operates under a large number of statutory directives and limitations, its broad powers under the CCC Charter Act authorize it to carry out almost any operation required to meet its objectives. The principal operations that CCC funds are the income and commodity support programs. CCC also funds commodity export, resource conservation, and disaster assistance programs.

CCC's programs—including its income and commodity support, resource conservation, and disaster assistance programs and most of its commodity export programs—are classified as mandatory spending programs, and therefore CCC does not require annual appropriations in order to make outlays for them. Instead, CCC borrows funds from the Department of the Treasury to finance these programs.[2] CCC may have outstanding borrowing of up to $30 billion at any one time. In contrast, several of CCC's commodity export programs—the export credit guarantee programs and the Food for Peace Program—are financed primarily through direct annual appropriations in addition to other funding.

CCC's nonrecoverable losses are reimbursed through an annual appropriation.[3] In fiscal year 1996, the appropriation included funds to cover the actual and estimated nonrecoverable losses from prior fiscal years as well as an advance on estimated future nonrecoverable losses. In fiscal year 1997, the appropriation included funds to cover actual losses from fiscal year 1996 only.[4] In addition, CCC collects program receipts from its commodity programs—mainly commodity loan repayments and the proceeds from the sale of commodities held in inventory by CCC. Together, these appropriations and program receipts allow CCC to repay, with interest, its debt to the Treasury and to replenish its borrowing authority. Appendix I shows CCC's flow of funds.

A board of directors oversees CCC's operations, subject to the supervision and direction of the Secretary of Agriculture, who is the ex officio chairperson of the board. The members of the board and the Corporation's officers are all USDA officials. Over time, the direct role of the board in overseeing the Corporation's operations has diminished; as of December 1997, the board had met only twice in the past 2 years. In general, the Corporation's officers and their designees manage the Corporation's business affairs. Appendix II lists CCC's board of directors and officers.

[2]CCC may also borrow funds from private lending agencies and others, but it has not done so for about 30 years.

[3]CCC's nonrecoverable losses are also referred to as "net realized losses." Net realized losses describe outlays that CCC will never recover and that are the basis of appropriations. These losses include those resulting from the disposal of CCC's commodity assets and direct payments to farmers. They also include commercial storage and transportation payments for CCC's commodity inventories, interest payments on borrowing from the Treasury, and general operating expenses.

[4]In response to a recommendation from USDA's Office of Inspector General, FSA officially changed—beginning with fiscal year 1998—the manner in which it calculates its request for an appropriation to cover CCC's nonrecoverable losses. Specifically, this calculation no longer includes reimbursements for estimated prior and future losses; instead, the appropriation requested will be based solely on actual losses for the most recent fiscal year for which CCC has complete data. The Office of Inspector General made its recommendation in light of CCC's excessive appropriation for nonrecoverable losses in fiscal year 1996—about $5 billion more than was needed because FSA had overestimated CCC's prior and future losses.

CCC has no employees—the programs it funds are carried out primarily through the personnel and facilities of several USDA agencies. For example, FSA administers all of CCC's income and commodity support and disaster assistance programs and two of its resource conservation programs. FSA also handles the budgeting and accounting for all CCC programs. In addition, FAS administers CCC's commodity export programs,[5] and NRCS administers most of CCC's resource conservation programs. The Corporation may also use the services of other government entities to help administer its programs.[6]

CCC Funds Available and Spent in Fiscal Years 1996 and 1997 Totaled in the Billions

During fiscal years 1996 and 1997, CCC used its borrowing authority to finance most of its programs and related operations; only a few of its programs were financed through direct appropriations and other funding sources. Of the net outlays made with borrowing authority funds—about $5 billion in fiscal year 1996 and $7.5 billion in fiscal year 1997—most were for the income and commodity support programs. The remainder financed commodity export, resource conservation, and disaster assistance programs as well as administrative expenses. In addition to the net outlays made through its borrowing authority, CCC had net outlays for programs and activities that receive direct appropriations and/or other funding—principally several of its commodity export programs.

CCC's Available Funding Derived Primarily From Its Borrowing Authority

Most of CCC's funds in fiscal years 1996 and 1997 derived from its borrowing authority. This authority, limited by law to $30 billion in outstanding borrowing at any one time, fluctuated as loans were made from and repaid to the Department of the Treasury throughout the year. CCC replenished its borrowing authority through (1) annual appropriations—about $10.5 billion in fiscal year 1996 and $1.5 billion in fiscal year 1997—and (2) program receipts amounting to about $6.9 billion in fiscal year 1996 and $5.7 billion in fiscal year 1997.[7]

[5]FAS does not have the sole responsibility for administering the Food for Peace Program, which has multiple titles giving responsibility for the program to several agencies. Two of these titles are administered by the Agency for International Development.

[6]Other government entities include any agency of the federal government, any state, the District of Columbia, any territory or possession, or any political division thereof.

[7]In the course of CCC's day-to-day operations, program receipts may be used to finance additional program activity in lieu of repaying Treasury debt. However, the net effect is the same: Receipts used for program activity reduce the need for further borrowing from the Treasury. Similarly, receipts used to repay debt with the Treasury replenish the borrowing authority by the same amount. For the sake of simplicity, we have chosen to treat all program receipts as replenishing the borrowing authority.

Several of CCC's commodity export programs—the export credit guarantee programs and Food for Peace Program—received direct appropriations and other funding that totaled about $2.1 billion and $1.9 billion, in fiscal years 1996 and 1997, respectively.[8] The appropriations provided for these programs were unrelated to the borrowing authority.

In each of fiscal years 1996 and 1997, CCC was also authorized to use about $3 million in funds from USDA's appropriation for hazardous waste management; CCC used the funds for cleanup initiatives for its commodity storage facilities. In addition, in fiscal year 1997, the Food for Peace Program returned to CCC about $25 million in unobligated funds.[9]

CCC Spent Several Billion Dollars in Borrowing Authority Funds Each Year, Primarily for Income and Commodity Support Programs

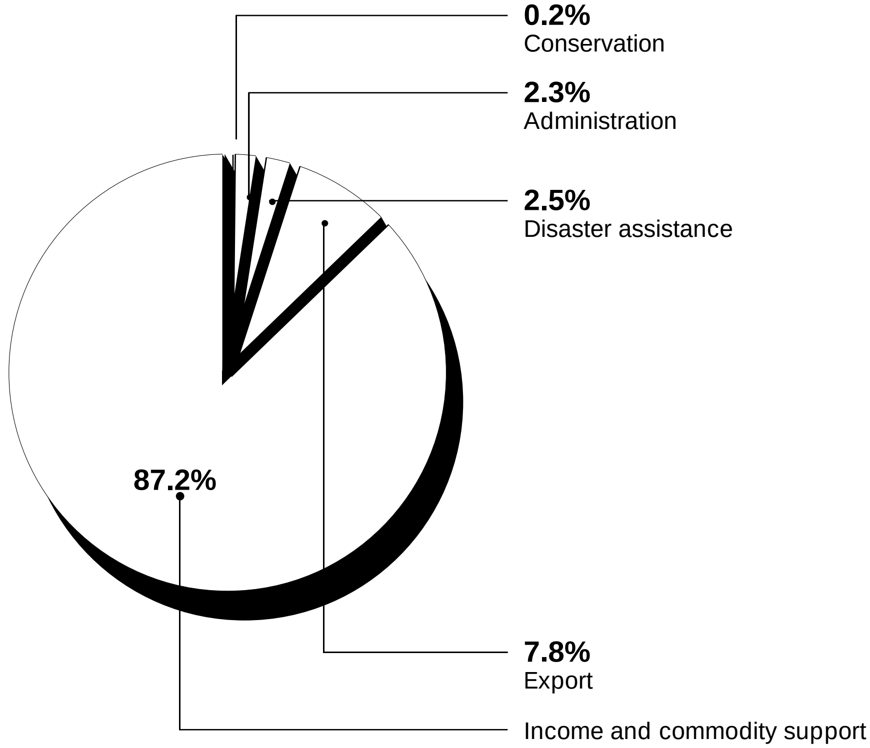
CCC's net outlays (expenditures that take into account offsetting receipts) made through its borrowing authority totaled about $5 billion in fiscal year 1996 and about $7.5 billion in fiscal year 1997. Most of these outlays[10] were for income and commodity support programs—about $4.4 billion and $5.1 billion, respectively, for that period. The remaining outlays were for CCC's commodity export (excluding programs directly appropriated), resource conservation, and disaster assistance programs; and administrative expenses. Figures 1 and 2 depict the relative share of net outlays made with CCC borrowing authority funds in fiscal years 1996 and 1997, respectively.

[8]While much of the funding for these programs derived from direct appropriations—about $1.5 billion and $1.1 billion in fiscal years 1996 and 1997, respectively—the programs also received unobligated carryover funds from prior years' appropriations. The export credit guarantee programs also obtained funding in these years through a permanent indefinite authority—authorized under the Credit Reform Act of 1990 (Sec. 13201 of P.L. 101-508, Nov. 5, 1990)—that is unrelated to CCC's $30 billion borrowing authority. In addition, in USDA's fiscal year 1996 appropriations act, the Congress directed that CCC use its $30 billion borrowing authority to make available $60 million to the Food for Peace Program.

[9]In Apr. 1993, the President announced a package of U.S. assistance for Russia. As part of this package, CCC transferred $385 million in borrowing authority funds to a special account—the Russia Food for Progress Program. By fiscal year 1997, about $25 million of these funds remained unobligated and were returned to CCC.

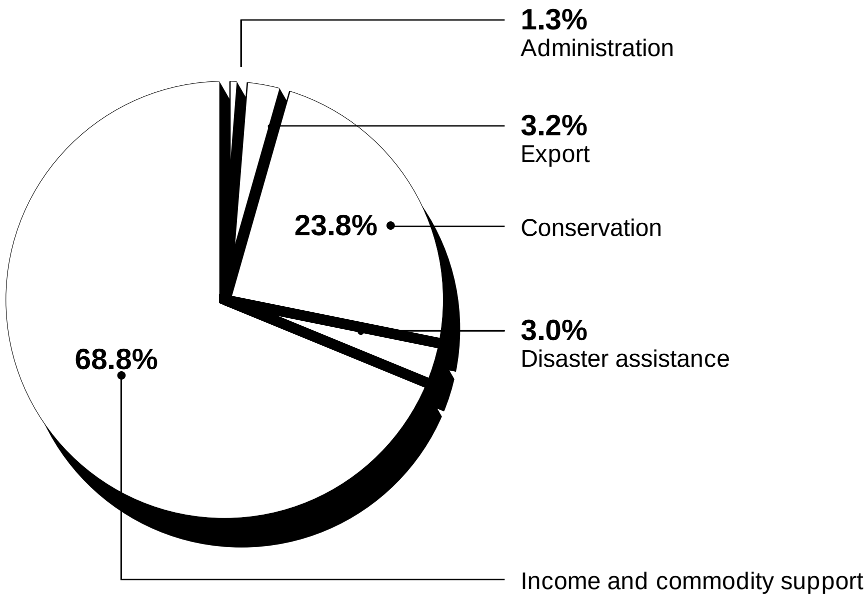
[10]For purposes of this report, the terms "outlays" and "expenditures" are used interchangeably.

Figure 1: Percentage Distribution of Net Outlays Made With Borrowing Authority Funds, Fiscal Year 1996



Source: GAO's analysis of data from CCC's fiscal year 1996 Summary Expenditure Report.

Figure 2: Percentage Distribution of Net Outlays Made With Borrowing Authority Funds, Fiscal Year 1997



Source: GAO's analysis of data from CCC's fiscal year 1997 Summary Expenditure Report.

As discussed, CCC's net outlays for its income and commodity support programs were about $4.4 billion and $5.1 billion in fiscal years 1996 and 1997, respectively. In general, these programs assist producers through loans, purchases, payments, and other operations; they also make available the materials and facilities required to produce and market agricultural commodities. The CCC Charter Act, as amended, also authorizes CCC to sell agricultural commodities acquired under its income and commodity support programs to other government agencies and foreign governments (generating program receipts).

CCC's net outlays for the commodity export programs funded through its borrowing authority were about $391.2 million and $235.7 million for fiscal years 1996 and 1997, respectively. CCC's export programs, including those funded by appropriations, help develop new foreign markets and increase the U.S. share in existing markets. For example, some programs provide credit guarantees that allow other countries to obtain commercial financing to purchase U.S. commodities; some provide exporters with cash or commodity bonuses in order to make U.S. commodities more price competitive in foreign markets; and yet another program provides government-to-government concessional sales of U.S. commodities, including lengthy repayment terms at low interest rates.

CCC's net outlays for its resource conservation programs were about $8.5 million and $1.8 billion in fiscal years 1996 and 1997, respectively. Recently added to CCC's mission, these conservation programs became CCC programs in April 1996, following the passage of the Federal Agriculture Improvement and Reform Act of 1996 (P.L. 104-127, Apr. 4, 1996)—more commonly known as the 1996 farm bill.[11] Several of these programs were created by the farm bill; others were previously funded through appropriations and administered by FSA or NRCS.[12] Under some of the resource conservation programs, CCC purchases easements or rents cropland from agricultural land users in order to retire environmentally sensitive land from agricultural production or to preclude nonagricultural uses of the land. Under these and other CCC conservation programs, the Corporation may also share the cost of implementing conservation practices with agricultural land users through direct payments or low-cost loans.

CCC's net outlays for disaster assistance programs were about $127 million and $226.1 million in fiscal years 1996 and 1997, respectively. CCC's disaster assistance programs provide a safety net to indemnify producers for extraordinary losses they may incur as a result of weather-related disasters, such as droughts or blizzards. In addition, the funding for these years included about $32.3 million in fiscal year 1996 and $29.3 million in fiscal year 1997 in emergency funding for activities to control and eradicate (1) a grain fungus, known as Karnal bunt, that affected wheat

[11]The Conservation Reserve Program was funded through CCC's borrowing authority in fiscal years 1986 and 1987. From fiscal year 1988 through fiscal year 1995, this program was financed through annual appropriations. According to USDA officials, however, if in any of these years the program had not received an appropriation, USDA was authorized to use CCC's borrowing authority to carry out the program's operations. Thus, in the view of these officials, the Conservation Reserve Program was technically a CCC program even before the 1996 farm bill's enactment.

[12]Because these conservation programs were recently added to CCC's mission, their outlays were relatively low in fiscal year 1996. Programs that existed before the 1996 farm bill's passage had already received appropriations for fiscal year 1996 and therefore used little or no CCC funds in that year. Those that were created by the farm bill were generally unable to use CCC funds in fiscal year 1996, since most were not operational before the end of that year.

production in the southwestern United States and (2) an infestation of fruit flies that affected fruit and vegetable production in California.[13]

Appendixes III through VI provide additional information on each of CCC's income and commodity support, commodity export, resource conservation, and disaster assistance programs, including each program's purpose and its net outlays for fiscal years 1996 and 1997.

CCC's administrative expenses include (1) the purchase of computer and telecommunications equipment and services and (2) reimbursements to agencies within USDA and other government entities for services they provide to support CCC's operations. CCC's net outlays for computer and telecommunications equipment and services were about $77.5 million and $73.8 million in fiscal years 1996 and 1997, respectively. Its net reimbursements to other government agencies were about $41.6 million and $33.7 million, respectively, for these years, including about $11.8 million each year to FAS as payment for FAS' costs in operating a computer facility for CCC.

Some Net Outlays Were Associated With CCC Programs and Activities That Received Direct Appropriations and Other Funding

With regard to CCC's spending from appropriations (excluding payments made to the Department of the Treasury to repay borrowing) and other funding, CCC's aggregate net outlays totaled about $337.5 million in fiscal year 1996 and $41.3 million in fiscal year 1997.[14] These totals included net outlays of about $334.4 million and $38.7 million in fiscal years 1996 and 1997, respectively, for the export programs that received direct appropriations and other funding.[15] They also included net outlays of about $3.1 million and $2.6 million in these years, respectively, made with funds CCC was authorized to use from USDA's appropriations for hazardous waste activities.

[13]In the event of a severe disease or pest outbreak, the Secretary of Agriculture can declare an emergency that, among other things, allows the Secretary to use CCC funds to help pay for control and eradication activities and to indemnify producers for their losses. The Secretary's authority to use CCC funds for emergencies is found in USDA's annual appropriations legislation and in 7 U.S.C. 147b. The funds are usually transferred from CCC to USDA's Animal and Plant Health Inspection Service for subsequent outlay.

[14]These amounts do not include receipts for the reimbursement of overpayments made with appropriated funds in prior years for disaster assistance related activities. In fiscal year 1996, these receipts amounted to about $900,000. In fiscal year 1997, they amounted to about $15.7 million.

[15]Net outlays for these programs were much lower than the related appropriations primarily because the rate of default on loans made under the export credit guarantee programs was lower than USDA expected. Other factors included offsetting program receipts and the fact that not all obligations made under the export credit guarantee programs and Food for Peace Program in fiscal years 1996 and 1997 were paid out by the end of these fiscal years.

CCC also had outlays of $139.5 million for net interest payments in fiscal year 1996 related to repaying its debt with the Treasury. CCC did not have outlays for net interest payments in fiscal year 1997 because its interest receipts exceeded its interest outlays by approximately $118.4 million. CCC's interest receipts derived from the interest paid by producers on their commodity loans and the interest earned on funds CCC had on deposit with the Treasury.

A Variety of Management Practices Are Used to Control CCC Funds

CCC uses a variety of management practices to control its funds: (1) controls over spending related to the annual budget and apportionment processes, (2) periodic reporting of its financial activities to the Congress, (3) FSA's implementation of internal controls to protect CCC's assets and account for its financial transactions, (4) program managers' allocation and monitoring of CCC funds, and (5) periodic reviews of program activity by compliance staff from agencies responsible for implementing CCC programs. In addition, USDA's Office of Inspector General (OIG) audits CCC's annual financial statements, including its year-end expenditure reports.

CCC's Annual Budget Serves as an Operating Plan

As a government-owned corporation, CCC is required to prepare a budget for each fiscal year in accordance with the provisions of the Government Corporation Control Act of 1945, as amended (31 U.S.C. 9103). This budget serves as a general operating plan that guides CCC's spending. The budget, prepared by FSA's Budget Division on behalf of CCC, is reviewed by USDA's Office of Budget and Program Analysis as well as by the Office of Management and Budget (OMB). The budget is submitted to the Congress as part of the President's annual budget submission.

In reviewing CCC's budget, the Congress may question some proposed expenditures. If the questioned expenditures concern one of CCC's mandatory programs, the Congress must pass legislation to preclude CCC from using its funds for this program. On the other hand, if the questioned expenditures concern one of CCC's appropriated programs, the Congress determines the amount of funds available to the program in USDA's annual appropriations act.

As discussed, CCC's budget serves as a general operating plan that guides the Corporation's spending. The planned expenditures in the budget—particularly with regard to CCC's mandatory programs—are considered to be no more than estimates. For example, spending for some income and commodity support programs depends on variables—such as the weather, economic conditions, and commodity market prices—that are difficult to predict. Thus, CCC's actual expenditures for these programs may be greater or less than initially estimated. At the same time, however, FSA officials said that CCC can pay out funds only for those programs included in its budget, unless the Congress directs it to do otherwise in legislation.

OMB Apportions Funds for Selected CCC Programs and Operating Expenditures

OMB apportions (distributes) the funds available for obligation for selected CCC programs and operating expenditures.[16] The approved apportionment by OMB follows the review and approval of CCC's funding request by USDA's Office of Budget and Program Analysis in consultation with appropriate policy officials. OMB apportions the funds available for CCC's resource conservation programs, for purchasing computer and telecommunications equipment and services, and for reimbursing USDA agencies and other government entities. In addition, since fiscal year 1997, OMB has apportioned the funding for commodity export and disaster assistance programs. In general, funds are apportioned annually at the beginning of a fiscal year. However, OMB may choose to apportion funds on a quarterly or other basis. In addition, CCC may ask OMB to approve a reapportionment of funds during the fiscal year.

For each program or operating expense, the amount OMB apportions sets a limit on the funds available for obligation and subsequent outlays. OMB's apportionments also serve as a check to ensure CCC's compliance with statutory funding caps or other legislatively mandated funding limitations. For example, provisions in the 1996 farm bill limited CCC's funding for computer and telecommunications equipment and services to a maximum of $170 million in fiscal year 1996 and $275 million for fiscal years 1997 through 2002. In addition, funding for the reimbursement of agencies within USDA and other government entities for their support of CCC programs was capped at $45.6 million a year starting with fiscal year

[16]The Antideficiency Act, as amended, requires that OMB apportion funds available for obligation for certain CCC programs (31 U.S.C. 1512). However, this act precludes OMB from apportioning funds for CCC's income and commodity support programs and for the removal of surplus agricultural commodities held in inventory by CCC (31 U.S.C. 1511).

1997.[17] Furthermore, USDA's annual appropriations legislation sometimes sets additional limits on funding for specific programs, as was the case with CCC's Farmland Protection Program in fiscal year 1997.

CCC Periodically Reports Its Financial Activities to the Congress

CCC issues two reports to the Congress on its financial activities. The first—CCC's annual report—is required by the Government Corporation Control Act, as amended. This report provides an overview of the Corporation's purpose, mission, and goals; financial and program summaries; and performance measures. The report also contains CCC's financial statements and accompanying notes and an OIG opinion letter on the OIG audit of CCC's financial statements. The second report, a quarterly expenditure report known as the Summary Expenditure Report, is required by the CCC Charter Act, as amended. This report provides data on cumulative expenditures for similar products and services for the quarter and fiscal year. Both the annual report and the quarterly expenditure report are prepared by FSA's Financial Management Division.

The Summary Expenditure Report also provides detailed information on administrative expenditures, such as those for (1) purchases of computer and telecommunications equipment and services and (2) reimbursements paid to agencies within USDA and other government entities. For example, for computer and telecommunications purchases, the report lists outlays on a vendor-by-vendor basis, and for reimbursements, the report lists outlays on an agency-by-agency basis. FSA officials said they chose to provide this added level of detail on these types of expenditures to more fully disclose outlays that are subject to statutory funding caps and that therefore may be of particular interest to the Congress. The report is reviewed by USDA's Office of the Chief Financial Officer before its submission to the Congress.[18] It is also subject to an annual audit by the OIG.

[17]Both funding caps limit the amount of obligations that CCC can make for these types of expenditures. In addition, the cap on reimbursements made to USDA agencies and other government entities is based on the level of these obligations in fiscal year 1995. USDA plans to increase the cap to $46.2 million beginning in fiscal year 1999 because it recently discovered it had inadvertently omitted three reimbursements from the initial calculation of the cap. However, in early April 1998, USDA's Office of General Counsel issued a legal opinion that the cap is overstated by $10 million because program costs associated with the administration of CCC's Emerging Markets Program were erroneously included in the initial calculation of the cap. As of Apr. 15, 1998, an official decision on removing this reimbursement from the cap had not been made.

[18]In accordance with provisions of the Chief Financial Officers Act of 1990 (P.L. 101-576, Nov. 15, 1990), USDA and other major federal departments or agencies must appoint a chief financial officer to (1) oversee financial management activities related to the agency's programs and operations; (2) develop and maintain an integrated accounting and financial management system that provides reliable cost and performance-measure information; and (3) monitor the financial execution of the agency's budget.

FSA's financial management staff has made further changes to the expenditure report, beginning with fiscal year 1998, in response to concerns raised by the report's congressional users. Most of these changes relate to the reporting of CCC's outlays for computer and telecommunications equipment and services. Specifically, FSA has (1) eliminated the vendor-by-vendor detail, (2) included a cumulative total specifically for these outlays (as distinct from other administrative support and property outlays), and (3) added information on apportioned and obligated amounts associated with these outlays. In addition, FSA has added information on the apportioned and obligated amounts associated with outlays for reimbursements paid to USDA agencies and other government entities.

FSA Has Implemented Management Controls Intended to Ensure the Accurate Accounting of CCC's Financial Transactions

FSA's Financial Management Division has implemented a number of management controls intended to ensure that its accounting and financial management systems accurately reflect CCC's financial activity and comply with applicable laws and regulations. These controls, also known as internal controls, include policies and procedures intended to provide FSA management with reasonable assurance that assets—such as cash, commodity inventories, computer and telecommunications equipment, and office furniture and supplies—are safeguarded against loss from unauthorized use or disposition. They are also intended to ensure that financial transactions—such as disbursing and collecting cash; authorizing and disbursing commodity loans, credits, and guarantee payments; and processing accounting entries—are executed as authorized by management and recorded properly to permit the preparation of CCC's annual financial statements, quarterly Summary Expenditure Reports, and other periodic reports. The director of FSA's Financial Management Division (who also serves as CCC's controller) and members of his staff (who also serve as CCC's treasurer and chief accountant) have the primary responsibility for issuing the policies and procedures that constitute the division's internal control structure. These officials also assist in carrying out and evaluating the effectiveness of these controls.

Managers of CCC Programs Often Play a Role in Allocating and Monitoring the Use of Program Funds

Each CCC program has a designated manager from the USDA agency responsible for implementing the program for CCC. The manager's duties often include allocating and monitoring the use of program funds. These managers carry out these duties in consultation with their supervisors—usually division directors—and other agency personnel. For example, a manager's recommended allocations of funds are reviewed by the manager's supervisor and must usually be approved by the cognizant agency head. Similarly, in monitoring the use of funds, managers often rely on periodic reports summarizing obligations and outlays that are prepared by their agency's financial management staff.

An exception to this are the FSA managers responsible for CCC's income and commodity support programs, who have little, if any, direct role in allocating or monitoring the use of funds. FSA officials said that because financial assistance under these programs is, in a sense, open-ended, managers of these programs do not manage against a specified funding level. Rather, program participation and, hence, program outlays depend on such variables as weather, economic conditions, and market prices—none of which is readily predictable.[19] All producers who apply and qualify for benefits under these programs will receive them, unless CCC exhausts its $30 billion borrowing authority.

However, other FSA managers of CCC programs, including the managers of CCC's disaster assistance programs, are actively involved in managing the use of funds. For example, in fiscal year 1997, the manager of the Livestock Indemnity Program allocated and monitored the use of the $50 million authorized by the Congress to provide emergency relief to livestock producers in the upper Midwest during a particularly harsh winter.[20] Under this program, FSA state and county office personnel in the affected states evaluated and approved qualified applicants, awarded funds, and reported the associated obligations and outlays through FSA's financial accounting system. The program manager reviewed weekly reports from FSA's Financial Management Division that summarized these obligations and outlays to ensure that the $50 million cap, as well as the share of these funds allocated to each affected county, was not exceeded.

FAS managers of commodity export programs and NRCS managers of resource conservation programs are also generally involved in allocating and monitoring the use of program funds. For example, the FAS manager of the Market Access Program managed an annual budget of $90 million in fiscal years 1996 and 1997. Under this program, which finances

[19]Although it is difficult to predict program participation and, hence, program outlays for a number of CCC's income and commodity support programs, this is not the case with CCC's payments for production flexibility contracts. With regard to these contract payments, producer eligibility was limited to a one-time sign-up in fiscal year 1996, and annual payments for fiscal years 1996 through 2002 are fixed at specified levels, which are unaffected by variables such as economic conditions or market prices.

[20]The Congress directed that the $50 million used under this program in fiscal year 1997 be obtained through the sale of grain held in inventory by CCC.

promotional activities to expand the export of U.S. agricultural commodities, the manager evaluates and approves applicants' proposals, awards funds, reviews subsequent reimbursement requests to ensure they do not exceed the amount of award, and authorizes payments to the appropriate parties. The manager also tracks obligations for this program in an FAS agricultural marketing database and obtains information on program outlays from FSA's Financial Management Division.

Similarly, the NRCS manager of the Wetlands Reserve Program managed a budget of $159.7 million and $137.9 million in fiscal years 1996 and 1997, respectively. This program offers producers payments for wetlands that have previously been drained and converted to agricultural uses. Under this program, the manager, with the approval of the Chief, NRCS, allocates funds by state. NRCS state and county office staff evaluate land offered by producers for enrollment in the program and award funds to purchase easements on the land selected. These staff report the obligations associated with these awards through NRCS' financial system. The outlays, however, are reported by FSA staff working in these same offices, who pay landowners for the easements purchased, through their agency's financial system. The program manager receives periodic reports summarizing obligations and outlays from NRCS' financial management staff.

To better ensure that funds are being properly used, the manager of the Wetlands Reserve Program said that he maintains his own database of program obligations that is based on data provided directly to him by his field staff. According to this official, keeping his own tally of obligations allows him to stay current on the program's financial activity and progress towards meeting its enrollment goals.

In addition to the activities of its program managers, NRCS has assigned a program official and a financial official to work in FSA's Financial Management Division—the office responsible for managing CCC's financial affairs. The program official works primarily with FSA officials on funding issues, including budget formulation, concerning NRCS' CCC programs; the financial official works with FSA officials on accounting issues for these programs. According to senior NRCS officials, the assignment of these two staff reflects NRCS' concern that it not inadvertently misuse CCC funds. The officials noted that working in a CCC-funded environment is still relatively new to NRCS because the agency became responsible for managing CCC-funded programs only after the passage of the 1996 farm bill.

CCC-Funded Programs Are Periodically Reviewed by Agency Compliance Staff

Periodically, compliance staff in each of the agencies responsible for administering CCC-funded programs review program activity, including the financial management of these programs. The results of these reviews are generally documented in written reports and sent to the relevant program office for response and corrective action, if necessary. For example, FAS' compliance review staff conducts a financial and compliance review of each participant in the Market Access Program at least once every 3 years. Among other things, the review is intended to determine whether program expenses reimbursed by CCC were authorized and reasonable and whether the office administering the program has a financial system in place to track CCC's resources.

OIG Audits CCC's Comparative Financial Statements and End-of-Year Expenditure Report

Annually, USDA's OIG audits CCC's comparative financial statements and its end-of-year Summary Expenditure Report.[21] The results of these audits are reported to CCC's board of directors. In general, the OIG's objectives in conducting these audits are to determine whether (1) CCC's financial statements fairly present the Corporation's financial position, (2) CCC's internal control structure provides reasonable assurance that specific program goals are achieved, and (3) CCC has complied with the laws and regulations for those transactions and events that could have a material effect on its financial statements.

In accordance with USDA's departmental regulations, CCC is required to reply to the OIG's reports within 60 days of their issuance. If CCC concurs with the OIG's findings, it must then describe corrective actions taken or planned and the time frames for implementation. A management decision must also be reached on all findings and recommendations within 6 months of a report's issuance.

During its most recent audit of CCC's comparative financial statements (fiscal years 1996 and 1995) and its end-of-year expenditure report (fiscal year 1996),[22] the OIG noted several material weaknesses in FSA's internal controls.[23] For example, the OIG found that FSA's operations analysis staff was not obtaining operations review reports for the agency's county

[21]Comparative financial statements are those in which financial data for 2 or more years are placed in adjacent columns so that changes are easily discernible. CCC's comparative financial statements include those for financial position, operations, and cash flows.

[22]U.S. Department of Agriculture: Commodity Credit Corporation's Comparative Financial Statements for Fiscal Years 1996 and 1995 (USDA/OIG Audit Report No. 06401-6-FM, July 15, 1997).

[23]In determining whether a problem related to internal controls constitutes a material weakness, an agency must consider factors such as the amount and sensitivity of the resources involved, conflicts of interest, and violations of statutory requirements.

offices. The reviews of these offices, whose activities are integral to the implementation of CCC's income and commodity support, resource conservation, and disaster assistance programs, are conducted periodically by designated FSA state and county employees to identify systemic problems in office operations. According to the OIG, without reviewing compilations of these reports, the operations analysis staff would be unable to detect any nationwide problems that required corrective action and, if material, inclusion in FSA's report under the Federal Managers' Financial Integrity Act.[24] In response, the operations analysis staff said that it was obtaining copies of the operations review reports from county offices, but that it lacked the staff resources and automated data processing capability to compile and analyze the reports. However, the staff agreed in principle with the need to do so.

The OIG also found that FSA's financial systems and related accounting procedures are not designed to readily and efficiently compile the data needed to prepare CCC's Summary Expenditure Report in a timely manner. According to the OIG, these difficulties occur because CCC's financial systems, which function on an accrual basis of accounting, cannot provide automated information on cash expenditures. Furthermore, the OIG found that the systems are not designed to provide automated data in the level of detail and categories required for the report. As a result, FSA financial management staff must manually extract some data from CCC's financial systems and perform certain automated and manual referencing procedures to develop cash expenditures.

In responding to the OIG's finding, FSA's Financial Management Division indicated that it was developing a new accounting system that it believes will significantly improve FSA's ability to compile expenditure information for the Summary Expenditure Report. However, according to FSA financial management officials, the implementation of this accounting system may not be completed until fiscal year 1999. In addition, these officials said that the limitations of other accounting systems, such as those used by FSA's disbursing offices, that will "feed" into the new system will continue to cause problems in preparing this report, necessitating some manual preparation of expenditure data.

According to the OIG, the material weaknesses it noted in FSA's internal control structure could adversely affect CCC's ability to be reasonably

[24]The Federal Managers' Financial Integrity Act of 1982 (P.L. 97-255, Sept. 8, 1982) requires each federal agency to establish systems of internal controls. The act also requires that each agency prepare an annual self-assessment of its internal controls that identifies any material weaknesses in these controls. This self-assessment is addressed to the President and the Congress and is reviewed by GAO.

assured that its transactions are properly recorded and accounted for so that it can prepare reliable financial statements and maintain accountability over its assets. The OIG also noted that some of these weaknesses were identified in previous audits of CCC's financial statements.

CCC's Administrative Expenditures Conformed With Statutory Funding Caps, and Its Programs Have Statutory Basis for Using CCC Funds

We found no instances in fiscal years 1996 and 1997 in which CCC's funding for administrative uses exceeded the relevant statutory funding caps. Furthermore, each CCC program has a statutory basis for using CCC funds. We did not, however, perform a detailed review on the propriety of the individual administrative or programmatic transactions made in these years.

Statutory Funding Caps Were Not Exceeded

CCC's funding for administrative uses related to the purchases of computer and telecommunications equipment and services and the reimbursements paid to agencies within USDA and other government entities—in fiscal years 1996 and 1997—was within relevant statutory funding caps. As discussed, provisions in the 1996 farm bill limited CCC's funding for computer and telecommunications purchases to a maximum of $170 million in fiscal year 1996 and $275 million for fiscal years 1997 through 2002. Furthermore, as discussed, the funding for the reimbursement of agencies within USDA and other government entities was capped at $45.6 million a year starting with fiscal year 1997.[25]

The funding for computer and telecommunications purchases and reimbursements paid to USDA agencies and other government entities is also subject to apportionment by OMB, which may further limit funds available for obligation. For example, USDA officials requested $80.9 million in CCC funds for computer and telecommunications purchases in fiscal year 1997. However, OMB apportioned only $54.8 million for this purpose that year because it believed that all of CCC's ongoing and high-priority

[25]In commenting on a draft of this report, NRCS officials expressed concern about the future source of funding for technical assistance associated with the resource conservation programs that became funded by CCC under the 1996 farm bill. These expenses, currently funded with NRCS' carryover appropriations, will eventually be subject to the reimbursement cap, which was based on obligations made prior the 1996 farm bill.

needs related to computer and telecommunications purchases could be met with this lesser amount.

Table 1 provides information on the funding cap, apportionment, and obligation amounts associated with CCC's funding for computer and telecommunications equipment and services in fiscal years 1996 and 1997. Table 2 provides similar information for reimbursement funding in these years.

Table 1: Funding Cap, Apportionment, and Obligation Amounts for Computer and Telecommunications Purchases, Fiscal Years 1996 and 1997

Dollars in millions

Fiscal year	Funding cap	Apportionment	Obligation
1996	$170.0	$155.0	$144.0
1997	[a]	54.8	36.1

[a]There was no specific funding cap for fiscal year 1997.

Source: GAO's analysis of CCC's information.

Table 2: Funding Cap, Apportionment, and Obligation Amounts for Reimbursements Paid to USDA Agencies and Other Government Entities, Fiscal Years 1996 and 1997

Dollars in millions

Fiscal year	Funding cap	Apportionment	Obligation
1996	[a]	$50.0	$51.2[b]
1997	$45.6	43.7	39.3

[a]There was no specific funding cap for fiscal year 1996.

[b]This overobligation of OMB's apportionment represents a violation of the Antideficiency Act (31 U.S.C. 1517(a)). OMB's apportionment for reimbursements paid to USDA agencies and other government entities was first issued in September 1996. However, USDA subsequently determined that reimbursements associated with the State Option Contract Program should have been included in its apportionment request. During the year-end closing of CCC's financial accounts for fiscal year 1996, retroactive year-end closing adjustments were made to the reimbursement obligations for the State Option Contract Program. When the adjusted amount was added to CCC's other reimbursements, CCC's total obligations exceeded its $50 million apportionment. Accordingly, in our view, the violation of the Antideficiency Act appears to be inadvertent.

Source: GAO's analysis of CCC's information.

Each CCC Program Has a Statutory Basis for Using CCC Funds

Each of CCC's income and commodity support, commodity export, resource conservation, and disaster assistance programs has a statutory basis for using the Corporation's funds to finance program operations. For example, provisions of the 1996 farm bill authorize the use of these funds for each of CCC's resource conservation programs. Information on the statutory basis for using CCC funds for each CCC program is provided in appendixes III through VI.

Agency Comments and Our Evaluation

We provided a draft of this report to USDA for its review and comment. We met with the Administrator, Farm Service Agency, and other officials from USDA's Foreign Agricultural Service, Farm Service Agency, Natural Resources Conservation Service, Office of Budget and Program Analysis, and Office of General Counsel. The officials agreed that the draft provided a comprehensive, accurate overview of Commodity Credit Corporation's operations. They provided a number of technical changes and clarifications to the report, which we have incorporated as appropriate.

Scope and Methodology

In developing the information for this report, we interviewed and obtained documents from a broad range of USDA officials associated with CCC programs. Specifically, to obtain information on the amount of CCC funds available and spent, we interviewed FSA budget and financial management officials and reviewed relevant documents. To determine how these funds were used, we interviewed program staff in FSA, FAS, and NRCS. We also reviewed CCC's annual financial reports, Summary Expenditure Reports, and documents related to the Corporation's compensation of USDA agencies and other government entities for their support of CCC's operations.

To obtain information on the management practices used to control CCC funds, we interviewed and obtained documents from budget, financial, compliance review, and program officials in FSA, FAS, and NRCS as well as from the OIG. To obtain information on whether CCC's funding for administrative purposes—computer and telecommunications purchases and reimbursements paid to USDA agencies and other government entities—conformed with statutory funding caps in fiscal years 1996 and 1997, we compared the obligations made by CCC for these purposes with the statutory caps and related apportionments by OMB. To obtain information on whether the programs CCC funded had a statutory basis for using CCC funds, our Office of General Counsel reviewed relevant statutes to determine the source of funding for these programs.

We conducted our review from June 1997 through April 1998, in accordance with generally accepted government auditing standards. We did not, however, independently verify the accuracy of outlay data related to the operation of CCC programs.

We are sending copies of this report to the appropriate congressional committees, interested Members of Congress, the Secretary of Agriculture, the Director of the Office of Management and Budget, and other interested parties. We will also make copies available upon request.

If you have any questions, please call me at (202) 512-5138. Major contributors to this report are listed in appendix VII.

Sincerely yours,

Robert A. Robinson
Director, Food and
Agriculture Issues

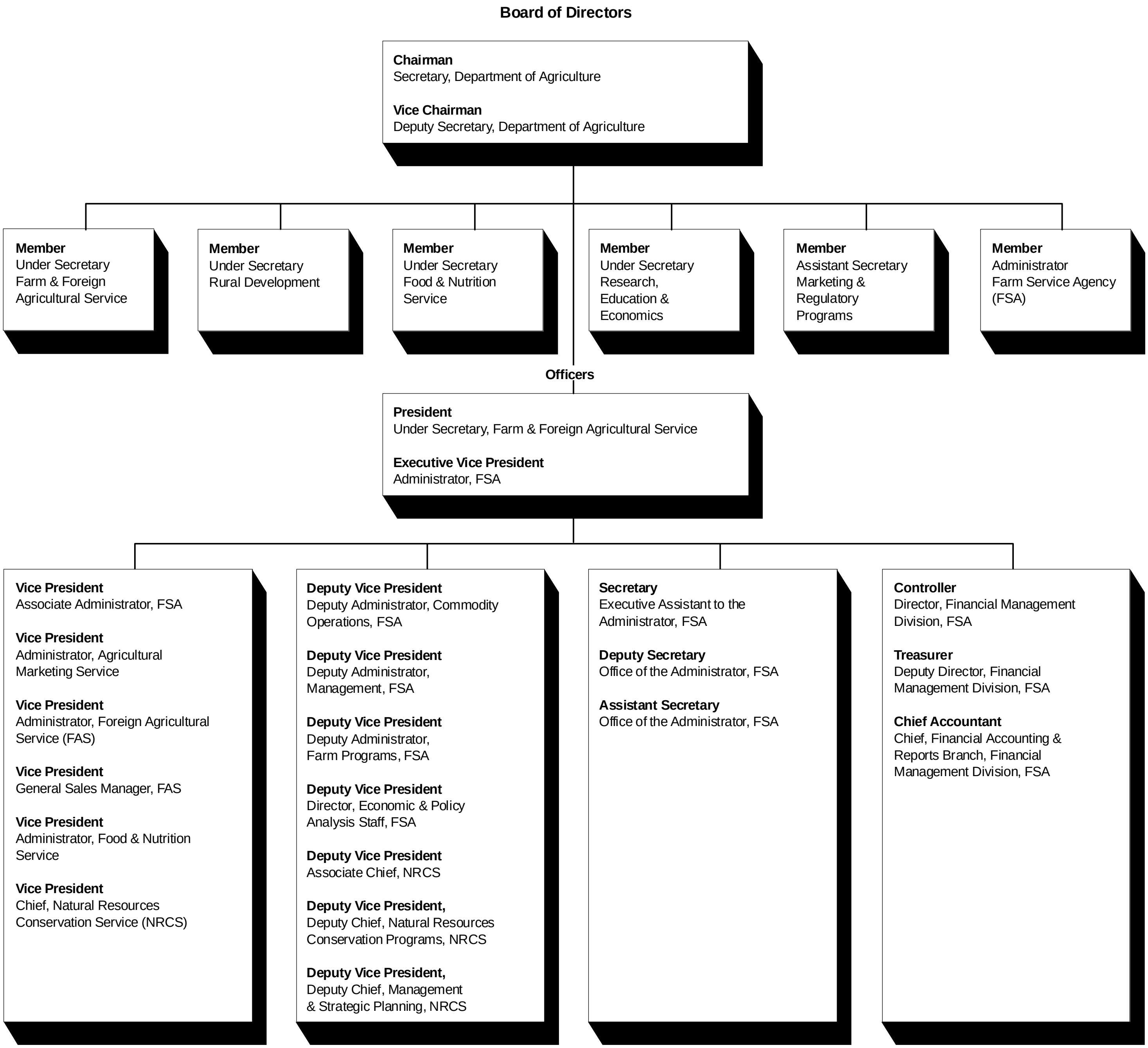
Contents

Abbreviations

CCC	Commodity Credit Corporation
FAS	Foreign Agricultural Service
FSA	Farm Service Agency
GAO	General Accounting Office
NRCS	Natural Resources Conservation Service
OIG	Office of Inspector General
OMB	Office of Management and Budget
USDA	U.S. Department of Agriculture

Source: GAO's analysis of Commodity Credit Corporation's (CCC) information.

CCC Board of Directors and Officers, Fiscal Year 1998



Source: CCC documents.

CCC's Income and Commodity Support Programs

Dollars in millions

Program[a]	Program purpose	Responsible agency	Fiscal year 1996 net outlay	Fiscal year 1997 net outlay	Statutory basis for using CCC funds
Commodity Inventory and Disposal	Procure, store, transport, and dispose of commodities to support market prices and supply domestic and foreign food programs.	FSA	($292.2)	($106.9)	15 U.S.C.A. 714c.
Upland Cotton User Marketing Program	Increase competitiveness of U.S. cotton in world markets by making bonus payments to domestic users and exporters of this commodity.	FSA	32.7	6.4	7 U.S.C. 7236; 7281 (Supp. II, 1997).
Dairy Price Support Program	Purchase surplus butter, cheese, and nonfat dry milk from dairy processors to support the price of milk.	FSA	0.346	23.4	7 U.S.C. 7251; 7281 (Supp. II, 1997).
Deficiency Payments[b]	Provide income support payments to producers who participated in wheat, feed grains, rice, or cotton programs prior to 1996.	FSA	567.5	(1,118.5)	7 U.S.C. 1441-2; 1444-2; 1444f; 1445b-3a (1994).
Loan Deficiency Payments Program	Provide direct payments to producers who agree not to obtain price support loans for wheat, feed grains, upland cotton, rice, or oilseeds.	FSA	0.045	0.003	7 U.S.C. 7235; 7281 (Supp. II, 1997).

(continued)

Dollars in millions

Program[a]	Program purpose	Responsible agency	Fiscal year 1996 net outlay	Fiscal year 1997 net outlay	Statutory basis for using CCC funds
Nonrecourse Commodity Loan Program	Provide price support loans to producers of wheat, feed grains, cotton, peanuts, tobacco, rice, sugar, and oilseeds. Producers may keep the money borrowed and forfeit the crop they pledged as collateral or repay the loan, depending on market prices.	FSA	(950.6)	109.8	7 U.S.C. 7231; 7281 (Supp. II, 1997).
Options Pilot Program	Support farm income through options contracts offered to producers of wheat, corn, and soybeans. Program in effect from 1993-2002.	Risk Management Agency	4.7	0.017	7 U.S.C 7331; 7281 (Supp. II, 1997).
Peanut Price Support Program	Provide price support loans to producers of peanuts.	FSA	0.0[c]	0.0[c]	7 U.S.C 7271, 7281 (Supp. II, 1997).
Production Flexibility Contracts	Provide income support payments to producers of selected crops; available through fiscal year 2002. Program is intended to transition producers from deficiency payments.	FSA	5,141.0	6,320.1	7 U.S.C. 7211; 7281 (Supp. II, 1997).
Tobacco Price Support Program	Provide price support loans to producers of tobacco.	FSA	0.0[c]	0.0[c]	7 U.S.C. 1421; 1445.
Wool and Mohair Program	Provide price support payments to producers of wool and mohair. Program ended 12/31/95.	FSA	55.8	0.029	7 U.S.C. 1782 (1994).
Total			**$4,559.2[d]**	**$5,234.3[d]**	

(Table notes on next page)

[a]Some of the entries in this column are not programs per se but represent significant activities related to CCC's income and commodity support operations.

[b]The Federal Agriculture Improvement and Reform Act of 1996 (P.L. 104-127, Apr. 4, 1996)—also known as the 1996 farm bill—replaced deficiency payments with production flexibility contract payments. The net receipts shown for fiscal year 1997 represent the return (by producers) of advance deficiency payments from prior years.

[c]Producers, processors, or purchasers are required to pay a marketing assessment fee per unit of production sold to ensure that Peanut and Tobacco Price Support Programs operate as no net cost programs to the federal government. However, the government does incur a small amount of interest expense on its use of borrowing authority specifically for these programs.

[d]Figures do not include receipts of about $183.5 million and $92.6 million in fiscal years 1996 and 1997, respectively, from assessments, collections, claims, and miscellaneous receipts not specifically attributed to individual programs.

Note: Negative amounts reflect net receipts. Totals may not add due to rounding.

Source: USDA and CCC documents.

CCC's Commodity Export Programs

Dollars in millions

Program	Program purpose	Responsible agency	Fiscal year 1996 net outlay	Fiscal year 1997 net outlay	Statutory basis for using CCC funds
Dairy Export Incentive Program	Provide payments to exporters of U.S. dairy products to increase price competitiveness of these products in foreign markets.	FAS	$36.6	$37.1	15 U.S.C.A. 713a-14.
Direct Credit Sales Program	Provide short-term U.S. government financing of commercial exports of U.S. agricultural commodities.	FAS	0.0	0.0	7 U.S.C. 5621.
Direct Export Sales of Dairy Products Program	Sell dairy products from U.S. government inventory to foreign governments or private importers, consistent with the obligations of multilateral trade agreements.	FAS	0.0	0.0	7 U.S.C 1731 note.
Donation of Surplus Commodities Program[a]	Provide donations of surplus CCC-owned commodities to developing countries.	FAS	0.0	0.0	7 U.S.C. 1431b.
Emerging Markets Program	Provide technical assistance to private and public organizations for projects designed to develop or expand foreign markets for U.S. agricultural commodities.	FAS	4.8	12.6	7 U.S.C. 5622 (Supp. II, 1997).
Export Credit Guarantee Programs[b]	Provide U.S. Government guarantees for repayment of private, short- and intermediate-term credit to promote the export of U.S. agricultural commodities and products.	FAS	0.0[c]	0.0[c]	7 U.S.C. 5622 note; 7 U.S.C. 5641b.

(continued)

Dollars in millions

Program	Program purpose	Responsible agency	Fiscal year 1996 net outlay	Fiscal year 1997 net outlay	Statutory basis for using CCC funds
Export Enhancement Program	Provide payments to exporters to increase price competitiveness of U.S. commodities in foreign markets.	FAS	37.2	0.352	7 U.S.C. 5651e (Supp. II, 1997).
Food for Peace Program	Provide government-to-government sales of U.S. commodities on concessional terms (Title I) and donations and/or grants of commodities (Titles II & III). Program is targeted to developing countries to (1) combat hunger and malnutrition and (2) develop and expand foreign markets for U.S. commodities.	FAS (Title I) Agency for International Development (Titles II & III)	0.0[c] 0.0[c]	0.0[c] 0.0[c]	7 U.S.C. 1736 (1994) (Supp. II, 1997).
Food for Progress Program	Provide direct financing or grants of U.S. agricultural commodities to developing countries and emerging democracies.	FAS	94.7	59.1	7 U.S.C. 1736o.
Market Access Program	Provide cost-share payments to eligible trade organizations that implement programs to develop or expand foreign markets for U.S. commodities.	FAS	120.5	100.7	7 U.S.C. 5623; 5641(c) (Supp. II, 1997).
Total			**$293.7**[d]	**$209.9**[d]	

(Table notes on next page)

[a]This program is authorized under section 416(b) of the Agricultural Act of 1949 and is commonly referred to as the section 416(b) program.

[b]CCC administers four export credit guarantee programs: (1) Supplier Credit Guarantee Program—CCC guarantees a portion of the financing that exporters have extended directly to importers for up to 180 days; (2) Export Credit Guarantee Program—CCC guarantees credit extended by private banks or exporters for up to 3 years; (3) Intermediate Export Credit Guarantee Program—CCC guarantees credit extended by private banks or exporters for up to 10 years; and (4) Facility Guarantee Program—CCC guarantees credit for financing manufactured goods and services exported from the United States to improve or establish facilities for handling, marketing, processing, storage, or distribution of imported agricultural commodities or products in emerging markets.

[c]No outlays of borrowing authority occurred under Titles I and III of the Food for Peace Program or the export credit guarantee programs; however, the Congress directed the transfer of $60 million in borrowing authority funds to Title II of the former program in fiscal year 1996. Net outlays under foreign programs supported by direct appropriations were about $334.4 million and $38.7 million in fiscal years 1996 and 1997, respectively. Specifically, Title I had net receipts of about $260.2 million and $338.3 million in fiscal years 1996 and 1997, respectively. Titles II and III had net outlays of about $773 million and $771 million in these years, respectively. The Export Credit Guarantee Program had net receipts of about $238.4 million and $344 million in fiscal years 1996 and 1997, respectively.

[d]Figures do not include $97.5 million and $25.8 million in foreign transportation costs for fiscal years 1996 and 1997, respectively.

Note: Totals may not add due to rounding.

Source: USDA and CCC documents.

CCC's Resource Conservation Programs

Dollars in millions

Program	Program purpose	Responsible agency	Fiscal year 1996 net outlay	Fiscal year 1997 net outlay	Statutory basis for using CCC funds
Conservation Farm Option	Consolidate payments for production flexibility contracts and the Conservation Reserve, Wetlands Reserve, and Environmental Quality Incentives Programs into one payment for eligible producers who agree to (1) forgo income and commodity support payments for 10 years and (2) adopt a conservation farm plan.	NRCS	Not active	Not active	16 U.S.C.A. 3839bb.
Conservation Reserve Program	Provide land rental payments, for 10 to 15 years, to producers who agree to convert environmentally sensitive land to approved vegetative cover (usually grass or trees). Program also offers cost-share assistance to establish vegetative cover on enrolled land.	FSA	1.9[a]	1,670.7	16 U.S.C.A. 3834; 3841a.
Environmental Quality Incentives Program	Provide cost-share and technical assistance to producers who agree to enter into 5 to 10 year contracts to implement conservation practices, such as livestock waste containment.	NRCS	6.5	69.0	16 U.S.C.A. 1341b.

(continued)

Dollars in millions

Program	Program purpose	Responsible agency	Fiscal year 1996 net outlay	Fiscal year 1997 net outlay	Statutory basis for using CCC funds
Farmland Protection Program	Provide assistance to states with existing farmland protection programs to purchase conservation easements.	NRCS	0.6	3.4	16 U.S.C.A. 3830, note.
Flood Risk Reduction Program	Provide payments to owners of farmland with high flood potential if the owner agrees to forgo certain income and commodity support payments.	FSA	Not active	Not active	7 U.S.C. 7334 (Supp. II, 1997).
Wetlands Reserve Program	Provide land rental or restoration cost-share payments to producers who permanently return converted or farmed wetlands to prior condition.	NRCS	0.0[b]	32.7[c]	16 U.S.C.A. 3841a.
Wildlife Habitat Incentives Program	Provides cost-share payments to producers who develop or improve wildlife habitat on their land.	NRCS	Not active	0.0	16 U.S.C.A. 3836a; 3841a(1).
Total			**$9.0[d]**	**$1,775.8**	

[a]In addition to the $1.9 million in funds derived from CCC's borrowing authority, the Conservation Reserve Program had net outlays of about $1.8 billion in appropriated funds in fiscal year 1996.

[b]Although no CCC borrowing authority funds were used for the Wetlands Reserve Program in fiscal year 1996, this program had net outlays of about $108.6 million in fiscal year 1996 from funds appropriated in prior fiscal years.

[c]The Wetlands Reserve Program also had net outlays of about $47.3 million in fiscal year 1997 from funds appropriated in prior fiscal years.

[d]This total does not include about $500,000 in receipts related to the reimbursements of overpayments made from funds appropriated for the Conservation Reserve Program prior to fiscal year 1996.

Source: USDA and CCC documents.

CCC's Disaster Assistance Programs

Dollars in millions

Program	Program purpose	Responsible agency	Fiscal year 1996 net outlay	Fiscal year 1997 net outlay	Statutory basis for using CCC funds
Crop Disaster Assistance Programs[a]	Provide payments to commodity producers for losses resulting from natural disasters.	FSA	$13.4	$17.2	7 U.S.C. 1421 note (1994).
Disaster Reserve Assistance Program	Provide payments to livestock producers for losses of feed grain crops, forage, and grazing resulting from natural disasters.	FSA	2.7	40.5	7 U.S.C. 1427a (1994).
Livestock Indemnity Program	Provide partial reimbursement to livestock producers for losses of animals resulting from natural disasters.	FSA	Not active	49.3	7 U.S.C. 1427a (1994). P.L. 105-18, June 12, 1997; P.L. 105-86, Nov. 18, 1997; P.L. 105-119, Nov. 26, 1997.
Other Livestock Emergency Assistance Programs[b]	Provide assistance to livestock producers for losses of feed or livestock due to natural disasters.	FSA	76.6	38.0	7 U.S.C. 1471; 1427 (1994).
Noninsured Crop Disaster Assistance Program	Provide crop-loss payments to producers of commodities not covered by the Federal Crop Insurance Program.	FSA	2.0	51.7	7 U.S.C. 7333 (Supp. II, 1997).
Total			**$94.7[c]**	**$196.8[c]**	

[a]Combines crop disaster payments for multiple crops and years. Disaster assistance under this program was suspended for fiscal years 1996 through 2002 by the 1996 farm bill. The amounts shown in the table reflect outlays related to obligations made prior to fiscal year 1996.

[b]Combines funding for Emergency Feed and Livestock Emergency Assistance Programs. Assistance under these programs was suspended for fiscal years 1996 through 2002 by the 1996 farm bill. The amounts shown in the table reflect outlays related to obligations made prior to fiscal year 1996.

[c]In addition to the net outlays for disaster assistance programs in fiscal years 1996 and 1997, USDA used additional CCC borrowing authority funds in these years for emergencies related to the control and eradication of agricultural diseases and pests. Specifically, additional net outlays of about $32.3 million and $29.3 million were made in these years, respectively, for this purpose.

Note: Totals may not add due to rounding.

Source: USDA and CCC documents.

Major Contributors to This Report

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Related GAO Products

Department of Agriculture, Farm Service Agency and Commodity Credit Corporation: Conservation Reserve Program — Long Term Policy (GAO/OGC-97-26, Mar. 6, 1997).

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