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UNITED STATES GENERAL ACCOUNTING OFFICE  
REGIONAL OFFICE  
ROOM 403 U S CUSTOMHOUSE 610 SOUTH CANAL STREET  
CHICAGO, ILLINOIS 60607

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JAN 2 1974

Mr. Donald L. Gillis, Director  
Minneapolis Commodity Office  
Agricultural Stabilization and  
Conservation Service  
U. S. Department of Agriculture  
6400 France Avenue South  
Minneapolis, Minnesota 55435

Dear Mr. Gillis.

We have completed our examination of the Commodity Credit Corporation financial records and reports at the Minneapolis Commodity Office (MPCO), Agricultural Stabilization and Conservation Service (ASCS), for fiscal year 1973. The examination was made pursuant to the Government Corporation Control Act (31 U S.C. 841).

Our review disclosed no significant findings. We observed, however, one matter relating to the billing of contract price adjustments where we feel improvement is warranted. MPCO periodically sells dairy products for export to successful bidders on the basis of competitive offers submitted under the terms and conditions of announcement MP-23. If the buyer should fail to export the product, the announcement requires that at a minimum, the purchase price be adjusted upward by the difference between the contract price and the highest domestic market value that existed during the contract export period.

During our review we noted two instances where butter buyers failed to export products in accordance with the terms of the contracts. Accordingly, MPCO issued additional billings to the two buyers. In preparing the billings, however, MPCO did not use the highest domestic market value for butter as reported in the Department of Agriculture's Dairy and Poultry Market News. Instead, the billings were based on prices not fully indicative of market values telephoned to MPCO each week by the St. Paul representative of the Agricultural Marketing Service. If MPCO had used the highest domestic market value for butter as reported in the Dairy and Poultry Market News, its billings to the two buyers would have been higher by \$9,674.30.

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We recommend that MPCO establish specific procedures to guide the contracting officers in selecting the proper source for the highest domestic market value. In addition, MPCO should consider billing the two buyers the additional amounts due.


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We would appreciate receiving your comments and advice as to the actions you have taken or plan to take with respect to this matter.

We wish to acknowledge the cooperation and courtesies which were extended to our staff during the review.

Copies of this report are being furnished to the Executive Vice President, Commodity Credit Corporation, and to the Inspector General, Department of Agriculture.

Sincerely yours, .

  
G. F. Stromvall  
Regional Manager