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**REPORT OF THE  
COMPTROLLER GENERAL  
OF THE UNITED STATES**



**Supplemental Information On  
Assessment Of The National  
Grain Inspection System**

Department of Agriculture

On February 12, 1976, GAO issued a report entitled, "Assessment of the National Grain Inspection System" (RED-76-71). This report presents additional information GAO considered in its evaluation of the system.

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COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

B-114824

The Honorable Dick Clark  
United States Senate

Dear Senator Clark:

In your letter of July 2, 1976, you requested that we provide you information to supplement our February 12, 1976, report entitled, "Assessment of the National Grain Inspection System" (RED-76-71). You asked for information on locations in the United States other than New Orleans where we uncovered factual evidence of irregularities or improprieties in grain inspection and weighing procedures and where situations existed which provided an opportunity for irregularities and improprieties. You asked also for a list of other evidence or data which we used in evaluating the system but which was not mentioned in the report. Most of the information requested relates to matters discussed in chapter 2 of our report.

Attachment I is a copy of chapter 2 of the joint Committee Print of our report annotated to show the locations of the various examples discussed. As you will note, most of the examples discuss situations at locations other than the New Orleans area. The following is a brief summary of these locations by major report caption.

Need to Tighten Restrictions on Conflict-of-Interest Situations

The examples discussed in the report were situations that we noted in Houston, Peoria, and Des Moines; that a grain company in Philadelphia disclosed to the Department of Agriculture; or that the Department's Office of Investigation found in Louisiana and Texas.

Improvements Needed in Obtaining and Preserving Representative Samples

The report discusses examples of sampling and loading practices affecting integrity of samples at Duluth, Minneapolis, Tacoma, Houston, Seattle, Superior, and

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Philadelphia in addition to practices noted in the New Orleans area.

Also discussed are weaknesses in handling samples at Alton, Illinois; Duluth; Philadelphia; Seattle; Grand Forks, North Dakota; Tacoma; and Superior.

Some of the examples were of situations that could occur at various locations.

The problems noted in the Department's Agricultural Marketing Service's (AMS's) supervision of sampling were illustrated with examples of situations found at Seattle, Duluth, Superior, and Portland.

#### Need to Strengthen Controls and Supervision Over Grain Weighing

Federal investigations disclosed cases of improper weighing at Galveston and Kansas City in addition to New Orleans. Other weighing problems were noted at Philadelphia.

#### Need for Improved Uniformity and Accuracy in Grain Grading

We found that licensed inspectors sometimes selected the samples to be regraded by AMS and thus had an opportunity to select those they believed to be free of errors in AMS's Philadelphia, Portland, Houston, and Beaumont field office circuits.

#### Duplicative Inspections Under Present System

It seemed obvious that multiple inspections were requested in the hope that one would eventually yield the desired results at Missouri and Illinois locations within the St. Louis AMS circuit. Also, examples of failure to recover all superseded inspection certificates were noted at Minneapolis and Duluth.

#### Problems with Stowage Examinations

Examples were of situations found in the Houston AMS field office circuit and at Seattle, Duluth, Superior, and Philadelphia in addition to the New Orleans area.

Problems in Improving Personnel Administration

Situations involving heavy workloads which did not allow enough time to properly conduct inspections were noted at Alton and Decatur, Illinois. Cases in which licensed inspectors had been at the same elevator for 15 years occurred in the New Orleans area.

Limited Effectiveness of AMS Administration and Supervision

The AMS field offices which spent less than 30 percent of their available staff time on supervision were Fort Worth, Houston, Kansas City, Mobile, New Orleans, Peoria, and Wichita.

The Department's Office of Audit reported in May 1973 on situations it noted at Corpus Christi, Portland, Houston, Sacramento, Chicago, and Fort Worth in addition to New Orleans. Some of the deficiencies reported were applicable to various locations.

The administrative actions by AMS against inspectors for alleged improprieties involved inspectors from the Spokane, Houston, and Chicago AMS circuits as well as the New Orleans circuit.

Other administrative and supervisory problems were noted at Duluth, Seattle, Houston, Portland, St. Louis, Peoria, Danville, Des Moines, and Minneapolis.

Administration's Proposal to Strengthen the National Grain Inspection System and Our Evaluation and Conclusions

Some private inspectors' annual salaries and incomes exceeded \$30,000 at Grand Forks, Aberdeen, Des Moines, Champaign, and Danville.

Attachment II lists by AMS field office circuit (1) the irregularities and improprieties discussed in the report and (2) other deficiencies or situations which could lead to deficiencies. The items listed in the second category either were not included in the report or provide additional examples of or more fully explain matters which were discussed in the report.

B-114824

Attachment III includes other evidence or data which we considered in evaluating the grain inspection system.

The information in the second category in attachment II and the information in parts A and B of attachment III include situations that we observed, that we were informed of during interviews, or that we obtained from AMS files. Some of the information was discussed with AMS, inspection agency, or elevator personnel during our fieldwork; however, the time constraints for developing this report were such that neither the Department nor the organizations involved have been afforded the opportunity to review and formally comment on the material.

We trust that this report will be of assistance to you. As you requested, we will be pleased to discuss the results of our review with your staff.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Thomas A. Steats". The signature is written in a cursive style with a large initial 'T'.

Comptroller General  
of the United States

Attachments - 3

CHAPTER 2

**PROBLEMS WITH THE NATIONAL GRAIN  
INSPECTION SYSTEM**

Many serious problems exist in the national grain inspection system. Although some inspection services have been satisfactory, the system has been operated through widely dispersed State and private agencies and trade associations without effective procedures, controls, or lines of authority. The system also has tolerated conflicts of interest between the grain inspection and grain merchandising operations and has not been responsive to USDA's limited supervision.

Weaknesses in control have led in recent years to extensive criminal abuses involving intentional misgrading of grain, shortweighing, and use of improperly inspected carriers. Disclosure of these matters in the world press and in congressional hearings has resulted in an erosion of confidence in the system, both domestically and internationally. Substantive remedial action will be needed to restore credibility and achieve the system's intended objectives, namely, the promotion of orderly grain marketing, the protection of buyers' and sellers' interests, and the building of confidence in the quality and consistency of U.S. grain in domestic and world markets.

In establishing the national grain inspection system, the Federal role was conceived as that of overall supervisor and appeal referee. Actual responsibility for day-to-day operation of the system in the form of grain sampling, grading, and inspecting and the issuance of inspection certificates attesting to the grade of grain was to be carried out by USDA-designated official inspection agencies. A skeletal force of Federal supervisors was to insure that the system functioned in accordance with requirements of the Grain Standards Act and implementing regulations, including the official U.S. grain standards.

Recent experience has shown that the inspection system can function only as well as the designated inspection agencies and the grain trade choose to make it function. Although increased Federal supervision, more severe penalties, and more intensive and extensive USDA investigations could contribute to more integrity in system operations, it is not feasible, in our opinion, to increase Federal supervision to a point where circumvention of the system by persons so inclined could be prevented.

The national inspection system requires a high level of consistency and uniformity in recruiting, training, and supervising inspection personnel; objectivity and the avoidance of conflicts of interest; a suitable rotation program and uniform standards of work production for in-

spectors; uniformity of controls and procedures, particularly in the case of grain sampling; uniformity, consistency, and accuracy in the grading process; and quick and thorough reviews and investigations of reported discrepancies and abuses.

Appropriate attention to these matters is made extremely difficult when, as in the existing system, there are over 100 separate agencies to be coordinated. Also, clear and effective lines of authority and responsibility are difficult to maintain, and work quality inevitably suffers in such circumstances.

A further shortcoming in the existing system is that USDA does not exercise control over the weighing of grain. Inspection and weighing of grain should be a coordinated operation, in our view, and both grading and weighing determinations should be shown on the inspection certificates.

The following sections discuss the problems involved in maintaining integrity in day-to-day inspection operations and the shortcomings of USDA supervision over those operations. The discussion focuses on—

- conflict-of-interest situations,
- grain sampling,
- grain weighing,
- grain grading,
- duplicative inspections,
- stowage examinations,
- inspection certificates issued at Great Lakes ports,
- personnel administration, and
- AMS administration and supervision.

We also discuss the Administration's recent proposal to strengthen the national grain inspection system.

#### NEED TO TIGHTEN RESTRICTIONS ON CONFLICT-OF-INTEREST SITUATIONS

The Grain Standards Act and AMS regulations prohibit conflicts of interest on the part of grain inspection personnel, but conflicts on the part of grain merchandisers are either permitted or not specifically prohibited. Also tolerated are situations having the appearance of conflicts of interest. As a result, financial and other relationships between inspection agencies and those they deal with compromise or give the appearance of compromising the independence of the existing inspection system. Also USDA investigations and information provided by a grain company have disclosed numerous situations involving actual or apparent conflicts of interest.

The act prohibits official inspection personnel, including licensees and USDA employees, from having a direct or indirect financial interest in, being employed by, or accepting gratuities from any business entity which owns or operates a grain elevator or warehouse or which merchandises grain. AMS requires that inspection personnel certify that they have no conflicts of interest when they apply and reapply for a license. Further, AMS regulations prohibit an official inspection agency from owning or operating a grain elevator or warehouse and from engaging in the merchandising of grain or any other activ-

ity, either directly or indirectly, which would create a conflict-of-interest situation for its employees.

Neither the act nor the regulations, however, prohibit grain companies or their officers or employees from having a direct or indirect financial or other interest in an official inspection agency. Also, boards of trade and other groups in which grain companies hold memberships or influential positions can be designated as official inspection agencies. In such cases, conflicts of interest or the appearance of such conflicts are inherent and inevitable.

According to AMS officials, AMS had never tried to prohibit such arrangements because the legislative history of the Grain Standards Act clearly showed that the Congress wanted to maintain private agencies in the inspection system. Our review of the legislative history tended to confirm this view. (See app. V.) Because such situations are permitted to exist, individuals holding responsible positions in grain companies have acted as directors or committee members in the agencies which make inspections for the same grain companies. Some examples follow:

—Four of the seven members of a private inspection agency's board of directors were officials of grain companies, three of which were served by the inspection agency. The grain companies also owned shares of stock in the agency. The board appointed the agency's general manager and chief inspector and set the fees to be charged.

Houston

—Six of the seven members of a board of trade's inspection committee, which set inspection fees, approved hiring, and handled labor negotiations for the board's inspection agency, were officials or employees of grain firms served by the agency.

Peoria

—Seven grain firms were members of a grain exchange which was designated as an inspection agency. The agency served all seven firms. Officials of five of these firms served as directors of the agency and appointed the agency's chief inspector.

Des Moines

USDA's Office of Investigation, which looked into possible conflict-of-interest situations, advised us in December 1975 that its investigations, although still in various stages of reporting or legal review, had disclosed situations similar to those noted above as well as the following kinds of conditions.

—Three inspection agencies were organized with the assistance of loans of \$10,000 to \$30,000 from grain companies for whom inspections were to be conducted.

Louisiana

—Officers or employees of four inspection agencies received annual bonuses of \$500 to \$6,000, supplementing regular salaries and, in some instances, overtime compensation.

Louisiana  
Texas

—Expenditures by inspection agencies included entertainment and gratuities for grain company personnel and USDA employees, and some payments were related to actual inspection functions.

Louisiana  
Texas

Also, a grain company disclosed to USDA and the Department of Justice that inspection agency personnel or USDA employees providing inspection services had been given gratuities, including cash, liquor, meals, tickets to sporting events, and office parties. It also said its

Philadelphia



personnel had purchased from an inspection agency grain which had been drawn for sampling purposes and the proceeds had been divided among inspection agency personnel. Over a 10-year period, 17,743 bushels of grain were purchased for \$47,523.

Philadelphia

In effect, the grain company was buying back grain which, according to AMS regulations, belonged to the company.

To be effective, an inspection system must avoid any appearance of situations that compromise its independence. Under a system which tolerates actual or potential conflict-of-interest situations, there can be little confidence in the independence and credibility of those charged with inspection responsibilities. According to a United States Attorney, who testified during recent hearings on grain inspection irregularities and problems.

The fault \* \* \* throughout the system \* \* \* is in the intimate relationship, the mutuality of interests, that has developed between the elevator companies and the inspection agencies, where the personnel of the inspection agencies, in effect, feel that they are servicing the elevator. We have yet to see any real recognition in the private inspection agency personnel that their loyalty is to the United States of America. They don't realize that they are performing a very sensitive and important governmental function, that is, to make official inspections. This is a sad thing, a tragic thing.

It has never been brought home to them. In fact, they seem, many of them, this is not true of all, but many of them seem to feel that their loyalty is to the elevator. Many of them show a downright open hostility toward the U.S. Department of Agriculture.

#### IMPROVEMENTS NEEDED IN OBTAINING AND PRESERVING REPRESENTATIVE SAMPLES

Drawing a representative sample from a lot for grading and making sure that it is not switched or tampered with are essential to insuring that the grade assigned accurately describes the sampled lot. Also, because the number of samples to be drawn depends on the lot size, it is important that the sampler be aware of all quantities loaded.

Under the present inspection system, maintaining effective control over the taking and handling of samples is difficult. AMS must rely largely on the integrity of licensed personnel and elevator management to execute sampling procedures properly. As discussed beginning on page 18, conditions at nearly every location we visited compromised the integrity of the sampling operations. In some cases, deceptive practices had occurred without the knowledge of licensed inspectors or AMS supervisors.

SAMPLING PROCEDURES AND DEVICES

Sampling, which may be done either manually or by automatic mechanical devices, may occur before, during, or after loading from or into shipping conveyances. Samples are drawn at various intervals or at prescribed locations in a lot or subplot. The size of a lot or subplot may vary but a subplot cannot exceed 60,000 bushels. The drawn samples are combined and then divided into homogeneous portions of 1,000 grams (about  $2\frac{1}{4}$  pounds), one of which is examined to determine the entire lot's or subplot's grade.

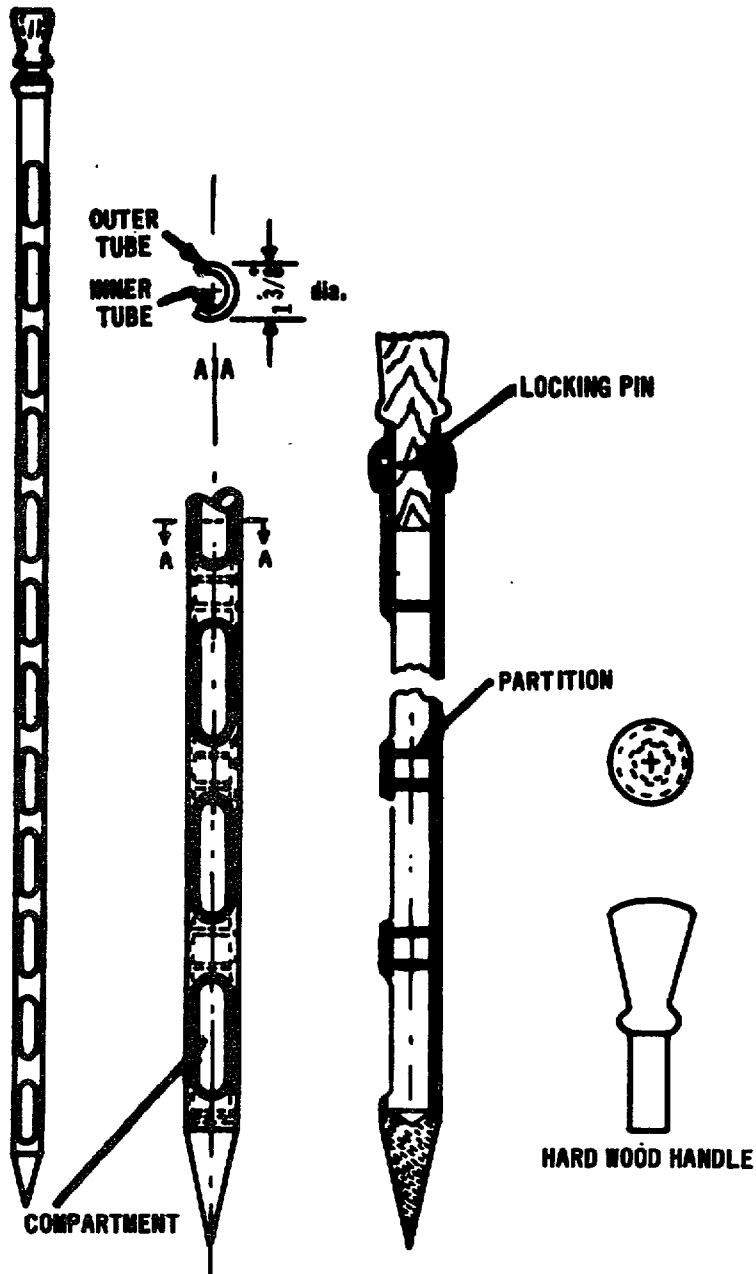
AMS regulations require that, for each official grain inspection, the inspection personnel or agency retain the sample for a specified period, generally 4 to 90 days, depending on the type of carrier used for shipping the grain. Each sample must consist of two portions, one for designating the grain's grade and the other—an unworked portion—for reinspection by a licensed inspector or for review by AMS during a supervisory visit or if the original grade designation is appealed. The samples must be kept in a container and in such manner as to retain their representativeness. They must be protected from manipulation, substitution, and improper or careless handling.

Minor deviations from prescribed sampling or sample-handling procedures or deceptive loading practices affecting the quantities sampled can substantially alter a sample's representativeness. Also, after sampling is completed, like-graded grain of several lots or sublots is often commingled, making it impossible to subsequently draw samples to test the reliability of initially drawn samples.

AMS considers the mechanical diversion type of automatic sampler to be the most accurate sampling device. This device—a mechanical arm that sweeps through a free-falling stream of grain—draws samples automatically at timed intervals. The most common approved manual sampling device, and the one usually used to obtain samples from railcars, trucks, and barges, is a 6- or 12-foot long metal probe, called a trier, which has several compartments. (See diagram, p. 16.) After the

16

SIX-FOOT, 12-COMPARTMENT  
GRAIN TRIER



trier is inserted into the grain being sampled, the compartments are opened and then closed to obtain grain from varying levels.

The use of automatic mechanical sampling devices has increased over recent years because they are both less expensive to operate and more accurate and reliable, if operated properly, than manual sampling methods. Manual samplers are often used, however, to sample incoming rail, truck, or barge shipments because the results can be obtained before unloading and can be used in deciding where the grain will be stored.

SAMPLING OR LOADING PRACTICES AFFECTING INTEGRITY OF SAMPLES

The following examples illustrate weaknesses or deceptive practices that we and others have observed in sampling or loading operations.

- Controls of automatic sampling devices were sometimes accessible to elevator personnel who could easily adjust them without attracting the sampler's attention. If the elevator management desired to produce grades higher than the actual quality of grain sampled, the automatic sampling devices could be adjusted to operate either slower when poor-quality grain was being sampled or faster when good-quality grain was being sampled. The samples drawn, therefore, would not be representative of the lot sampled. At a few locations, the inspectors placed sampling device controls under seals to prevent access to them by elevator personnel.
- Elevator personnel could adjust the speed of the conveyor belt from which samples were drawn to obtain results similar to those obtained by adjusting the frequency of the sampling device.
- At several locations, devices existed so that grain, which was to be loaded aboard vessels after sampling, instead could be diverted and returned to storage bins. Such diversions would not have been within the inspector's view and would have resulted in the quantities of grain loaded being misrepresented. According to AMS officials, AMS is considering requiring that automatic sampling devices be placed as close as possible to the end of the conveyor belts used to load vessels.
- Remote control devices were installed which allowed the drawing of biased samples or the circumventing of acceptable sampling practices. For example, at one location an electrical device permitted the infusion of foreign material or low-quality grain on a conveyor belt timed at intervals so as to avoid sampling by the automatic sampler which functioned at 27-second intervals. Several elevator employees at this location were indicted and pleaded guilty to charges that low-quality grain and other matter had been loaded in the bin closest to the diverter sampler and that the discharge of material from that bin had been timed to pass through the sampler between the taking of samples. At the instruction of the AMS field office, the inspection agency has assigned a man to inspect the conveyor belts periodically, to help insure that grain is not loaded in a manner which prevents representative sampling.
- In another case, an electrical remote control switch permitted the operation of a conveyor belt to load grain aboard vessels without being sampled.

Duluth

Minneapolis

Tacoma  
Minneapolis  
Destrehan, La. (N.O.)

Duluth  
Houston  
Seattle  
Superior  
Minneapolis  
Philadelphia  
New Orleans

Also, any other elevator with river holding or shipping bins will have this capacity

Destrehan (N.O.)

Superior

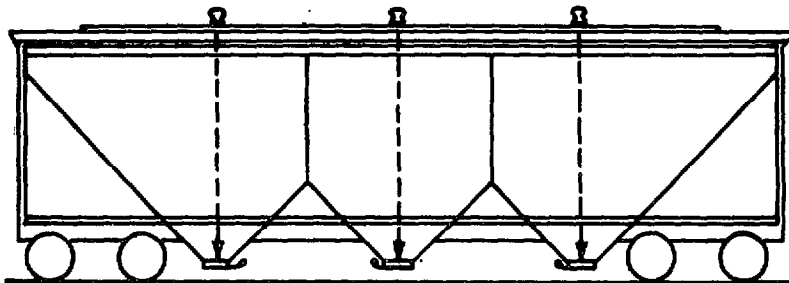
- Elevators commonly used two or more conveyor belts to load export vessels. Separate samples were drawn from each belt and were combined into one composite sample used to determine the official grade. The belts, however, could be emptied either in the same vessel hold or in separate holds. If emptied into separate holds, one or more holds could be filled with grain of a lower quality than that of the composite sample. This situation would be particularly harmful to a buyer who received grain exclusively from the hold or holds containing the lower quality grain.
- Some river barges, with hold depths of about 15 feet, could be fully loaded by the shipper before being offered for inspection. Because a 12-foot probe was used to draw the official samples, it was not possible to sample the bottom 3-foot layer and, because inspectors generally were not present during loading, there was no assurance that the bottom layer was of the same quality as the rest of the lot. Although AMS regulations provide that certificates be annotated to show that the bottom was not sampled, this situation presents the opportunity for deceptive loading.
- AMS has prescribed the 12-foot probe as the manual sampling method for all hopper-type railcars. In transit, grain—especially soybeans—could become compacted at the bottom of the hopper. Inserting a 12-foot probe into the compacted grain requires extensive strength and effort and samplers often cannot reach the bottom layer. Also, on two occasions we observed inspection agency samplers using 6-foot, rather than the required 12-foot, probes.
- The physical structure of the hopper-type railcar and the prescribed probing pattern prohibits the drawing of a representative sample, as illustrated by the following diagram.

Situation observed at Houston and Duluth. Can exist at any elevator having multiple belts which can be used to load ships.

Potential for improprieties

Common to all inbound hoppers

Duluth



Potential for improprieties

As the diagram illustrates, the samples are drawn evenly from top to bottom although the upper part of each compartment, or bay, holds more grain than the lower part. Thus, there is no assurance that a representative sample will be drawn. Also, the opportunity exists to bias samples by deceptively loading higher quality grain in the bottom parts and lower quality grain in the upper parts of the compartments.

- AMS prescribes that probe samples be drawn from boxcars according to predetermined, rather than random, patterns. Because a shipper may be aware of the patterns, it is possible to deceptively load a car, resulting in a biased sample. Also, by loading the boxcar unevenly or otherwise not leveling the load, a shipper can

Potential for improprieties

impede and discourage proper sampling. A shipper will usually be requested to level the load but, if he refuses, the sampler usually tries to draw the best sample possible under the circumstances.

- Some working conditions can also impede proper sampling of boxcars. On hot or humid days, extremely high temperatures inside incoming boxcars, which arrive sealed, are common. In addition, railcars may be moved while the samplers are on or in them. This is extremely dangerous and could result in serious injury to the samplers. Given these difficult working conditions, samplers may be inclined to compromise prescribed sampling procedures.

Potential for  
improprieties

Other ways in which manually drawn samples can be biased follow:

- Simultaneous use of two or more loading spouts up to several hundred feet apart is common. The sampler is required to sample all spouts, usually in 5-minute intervals. Elevator personnel are able to observe the sampler at all times, providing an opportunity to load lower quality grain from the unattended spouts.

Superior  
Duluth

- The sampler relies on sense of timing to secure representative samples from each spout. The samples are combined in equal portions into a composite sample for all spouts. By varying the flow of grain through the spouts, the elevator can influence the representativeness of the composite sample.

Superior  
Duluth

WEAKNESSES IN HANDLING SAMPLES

Controls and practices used in handling and preserving samples while awaiting inspection also were sometimes inadequate.

- Manually drawn samples were sometimes left unattended or were otherwise subject to inadequate security. For example, at one location, the sampler left samples unattended in the waiting area of the truckers delivering the grain.

Alton, Ill.

- In some cases, sample inspection or storage rooms were left open and unattended during lunch periods and after close of business. In other cases, elevator personnel who retained keys for emergencies had access to samples and inspection equipment after close of business.

New Orleans, Duluth,  
Alton

- Although some elevators had equipment, such as pneumatic tubes, to automatically transfer drawn samples to the inspection rooms, at others hand-carried containers were used to transport samples. In one case, badly worn equipment resulted in a potential loss of sample representativeness. Also, some containers had holes large enough to allow leakage of foreign particles.

Philadelphia; Seattle;  
Grand Forks, N.D.

Tacoma

Superior

Superior

AMS SUPERVISION OF SAMPLING

AMS's most common method of supervising sampling operations is called "over-the-shoulder" supervision. Its main objective is to evaluate through observation the competency of the licensed inspectors or samplers. The observations should be random, frequent, and unannounced. Past supervisions, however, covered only a small percentage of sampling operations, and licensed personnel and elevator management generally were aware when they were being observed. For example, some elevator managers ordered AMS supervisors to provide

Seattle  
Duluth  
Superior

notice of their visits, and at some locations, AMS supervisors wore bright orange coveralls and helmets and were easily recognized.

Seattle  
Portland

Maintaining the supervisors' anonymity during sampling operations therefore was not highly effective, and AMS supervisors generally did not otherwise provide for effective supervision of prescribed sampling and sample-handling practices. AMS officials told us that efforts to prevent deceptive practices through increased or tighter supervision were usually countered by new deceptive practices or variations of them. The officials said that they cannot achieve a high degree of reliability in sampling operations through the existing level of supervision and that supervisory control would not be effective unless it were on a 100-percent basis.

To prevent elevator personnel from being able to interfere with sampling, better controls are needed over the movement of grain into, within, and from elevators; the operations of sampling equipment; and the weighing operations. Increased use of automatic, rather than manual, sampling methods and of devices to automatically transfer drawn samples would provide more accurate sampling and better control against tampering with samples.

AMS officials told us that AMS had advised export elevators that by May 1, 1976, all grain being loaded for export is to be sampled only with automatic diverter sampling devices. They also said long-range plans are to expand the use of diverter samplers to all official sampling operations.

NEED TO STRENGTHEN CONTROLS AND SUPERVISION OVER GRAIN  
WEIGHING

The Grain Standards Act does not authorize AMS to supervise, or inspection agency personnel to control, grain weighing nor does it provide that grain weighing be coordinated with sampling. In preparing official grading certificates, the inspectors generally must accept weights furnished by elevator operators to describe the quantities of grain inspected. The inspectors have no means of independently verifying these amounts. Lacking control over weighing, the inspectors cannot be sure that all quantities are sampled.

Also, because weighing is not effectively controlled or supervised, those in the domestic grain industry who must market commodities on the basis of destination weights and foreign buyers who must purchase grain on the basis of weights loaded aboard vessels have not been reasonably assured that the weights assigned are correct. Our interviews with foreign grain buyers and responses from country elevator operators indicated widespread dissatisfaction with the weights assigned to grain shipments. Recent Federal investigations have disclosed many cases of improper weighing.

New Orleans  
Galveston  
Kansas City

Under the U.S. Warehouse Act, AMS's Transportation and Warehouse Division licenses persons to weigh inbound and outbound grain at grain elevators which are voluntarily licensed and regulated under the act. About 17 percent of U.S. grain elevators, representing about 40 percent of the commercial grain elevator space in this country, are licensed. The weighers, who are licensed after being tested for basic competency in weighing, are usually elevator employees but can be

employees of independent agencies, including those designated as inspection agencies under the Grain Standards Act. The Transportation and Warehouse Division examines each elevator's inventory records about twice a year on the average, but it does not control or supervise the weighers' operations.

Although there is no Federal control or supervision of weighing, some non-Federal supervision is provided at some terminal centers under an independent system established by the Association of American Railroads, to insure accurate weights. A terminal center may include one or more elevators. The supervision is generally provided by a State or private agency which, in many cases, is the inspection agency designated for the area under the Grain Standards Act. The independent supervisors observe the operation of scales, test shipping or transfer conveyances for leaks, and checktest conveyances and scales to see that they are completely empty after each transaction.

The extent of such supervision is based generally on which classification is selected by the elevators in a terminal center. Such selection is subject to approval by the Association. Terminal centers may be designated as class 1, which specifies 100-percent supervision; class 2, which specifies supervision of a representative number, usually at least 25 percent, of the weighings; or class 3, which specifies little or no supervision. The number of terminal centers in each classification as of January 1975 follows.

Terminal center	Class 1		Class 2		Class 3 Private agency	Total
	State agency	Private agency	State agency	Private agency		
Export.....	9	3	2	26	1	41
Inland.....	44	5	5	183	1	238
Total.....	53	8	7	209	2	279

The supervision provided under this system, however, was not always sufficient to make sure that all grain was properly weighed and that representative samples were obtained for inspection. For example:

- Only one individual was usually available at each class 2 elevator. His responsibilities included weight supervision of both incoming and outgoing shipments and inspection of arriving railcars and various grain movement operations through elevator facilities.
- The supervisors could not control the physical movement of grain in the elevators well enough to insure that all incoming grain was weighed or that all outgoing grain, once weighed, was loaded aboard the appointed conveyance. Some elevators had bypass ductwork or movable ductwork, sometimes remotely controlled, which allowed elevator personnel to shortweigh without detection by the independent supervisors.
- Most scales at terminal elevators provided either a printed scale ticket or, in the case of newer electronic scales, a printout for each weighing. During the supervisors' absence, various means were possible for manipulating scale calibrations. Scale components were sometimes left unsealed, and facsimiles of scale printouts showing erroneous weights could be easily prepared.

BEST DOCUMENT AVAILABLE

Typical at class 2 elevators

Potential for improprieties



AVAILABLE

Recent USDA and FBI investigations have disclosed that grain was shortweighed at some ports where weighing was independently supervised. This was done by such means as

- manipulating scales immediately before loading to cause them to register incorrect weights;
- representing that grain had been removed from storage bins, weighed, and loaded aboard ship when, in fact, the grain had been diverted back to the storage bins; and
- manually altering the official weight tape to indicate weights of grain which was not loaded.

In one case, the investigations disclosed that it was company policy to shortweigh outbound ships as they were loaded. Also, at one elevator, 100 pounds was frequently deducted in weighing the contents of arriving railcars. From August 1974 through December 1975, 21 individuals pleaded or were found guilty of improper weighing operations.

Other information we obtained indicated that weighing irregularities may be even more widespread. Many foreign buyers we interviewed alleged that weights of U.S. grain shipments were regularly lower than the weights they paid for. Some indicated an inclination to buy grain elsewhere because of distrust in the accuracy of the weight of U.S. grain. Several furnished data on alleged shortages. (See ch. 3.)

When we asked country elevator operators from four States—Illinois, Iowa, Kansas, and North Dakota—about selling grain on the basis of weight and grade determined at destination, 339, or 41 percent, of the 829 who responded indicated they were dissatisfied with weights and grades assigned at shipping destinations. Of these, 156 operators specifically identified dissatisfaction with assigned weights. Further, many country elevators have indicated an unwillingness to market grain at certain locations where they suspect their grain is erroneously weighed.

Some analyses have indicated that weights at destinations frequently are less than the shippers' weights. For example, the following analyses, based on data provided by terminal elevators, show differences between origin and destination weights for 514 barge shipments of grain to a Gulf port in April and May 1975 and for 242 rail shipments of wheat to several inland and Gulf port locations during July and August 1975.

Destrehan (N.O.)  
Galveston  
Philadelphia

Elevator operators do not identify specific locations.

Differences	Number of shipments for which		
	Origin exceeded destination weight	Destination exceeded origin weight	
<b>Barge:</b>			
1 percent or less.....	217	102	Origin: Kansas Destination: Louisiana
More than 1 percent.....	148	47	
Total.....	365	149	
<b>Rail:</b>			
1 percent or less.....	155	64	Origin: Kansas Destination: Minnesota
More than 1 percent.....	19	4	
Total.....	174	68	

Differences between origin and destination weights generally can be explained by such factors as minor scale imperfections; loss in transit,

such as thefts or leaking railcar doors; failure to fully unload and weigh grain from railcars; inadvertent errors in balancing or reading scales; or deliberate shortweighing. Minor differences are usually disregarded by the parties involved. However, differences often involve quantities that cannot be explained or easily disregarded. In the cases analyzed above, many of the individual weight differences were nominal; collectively, however, the net of shortages over overages during these 2-month periods totaled nearly 200,000 bushels.

To effectively control grain inspections and to enhance the marketability of grain both domestically and abroad, control and supervision of grain weighing should, in our opinion, be coordinated with the responsibility for inspecting grain. USDA officials agreed with the need for such coordination at port elevators.

NEED FOR IMPROVED UNIFORMITY AND ACCURACY IN GRAIN GRADING

Improvements are needed in the accuracy and uniformity of grades assigned to sampled grain. In regrading samples previously graded by licensed inspectors during fiscal year 1975, AMS supervisors found incorrect grades on the average of between 10 and 20 percent of the time and, at some locations, ranging to over 30 percent of the time. For those people, including country elevator operators and foreign buyers, who must rely on grades as a basis for settling large-dollar-value transactions, this rate of inaccuracy does not offer a reasonable degree of reliability.

Grading grain requires close scrutiny of individual grain kernels and delicate judgments by inspectors of the kernels' characteristics and the extent of any defects. A difference of a small fraction of a percent in any factor can affect the accuracy of the numerical grade and therefore the value of a specific lot. Attaining a high degree of accuracy and uniformity in grading depends somewhat on refining grain standards and improving grading technology. Progress on these matters, which are discussed in chapter 4, has been slow. Until refinements enable quality to be measured through mechanical or more scientific methods, improving the inspectors' capability to uniformly recognize and describe quality characteristics is essential.

AMS supervisors evaluate the licensed inspectors' grading work when making appeal inspections or during supervisory visits. The evaluations may involve regrading samples drawn by licensed personnel or grading new samples independently drawn by the AMS supervisors.

During fiscal year 1975, AMS supervisors' appeal inspections showed that about 20 percent of the grades determined by the licensed inspectors were incorrect. During supervisory evaluations, the AMS supervisors found an error rate of about 10 percent. Error rates on appeal inspections generally tend to be higher because, in many cases, the initial results are borderline and the requestor may suspect an error. The error rates found during supervisory evaluations, however, may be lower because licensed inspectors sometimes select the samples to be regraded and thus have an opportunity to select those they believe to be free of errors.

As shown in the following table, error rates in some AMS field office circuits were extremely high.

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Philadelphia	
Portland	
Houston	Beaumont

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	Error rates found during appeal inspections (note 1)			Error rates found during supervision (note 2)		
	Evaluated by AMS	Found incorrect	Error rate (percent)	Evaluated by AMS	Found incorrect	Error rate (percent)
Beaumont, Tex.....	234	34	15	916	67	7
Des Moines, Iowa.....	304	70	23	1,731	295	17
Duluth, Minn.....	5,255	1,784	34	757	79	10
Grand Forks, N. Dak.....	23	7	30	373	90	24
Houston, Tex.....	1,439	143	10	2,009	167	8
Minneapolis, Minn.....	2,304	791	34	331	49	15
New Orleans, La.....	2,174	556	26	3,085	329	11
Peoria, Ill.....	801	149	19	194	29	15
Philadelphia, Pa.....	53	2	4	1,076	67	6
Portland, Oreg.....	352	80	23	( <sup>3</sup> )	( <sup>3</sup> )	( <sup>3</sup> )
Seattle, Wash.....	50	14	28	3,813	112	3
St. Louis, Mo.....	686	119	17	( <sup>3</sup> )	( <sup>3</sup> )	( <sup>3</sup> )

<sup>1</sup> Data obtained for all appeal inspections during fiscal year 1975.  
<sup>2</sup> Data obtained for all or a representative portion of supervisory evaluations in fiscal year 1975  
<sup>3</sup> Data not obtained.

During fiscal year 1975, AMS regraded grain covered by about 90,000 official certificates issued by licensed inspectors, including about 29,500 appeal inspections. These reviews represented about 2.6 percent of the estimated 3.4 million total inspections. Much more supervisory regrading by AMS would seem to have been warranted, particularly in view of the high error rates. In contrast, Canadian officials told us that, under their grain inspection system (see app. VI for a brief description), about one of every six samples, or about 17 percent, is supervised. Moreover, this supervision occurs immediately after the original grading. Two advantages of this system are that (1) differences can be immediately called to the original grader's attention so that he can re-examine his own work and thus minimize similar errors in the future and (2) the error can be corrected before the inspection certificate is prepared and released.

The latter advantage is particularly important. AMS supervisors generally regrade samples or lots several days after the initial inspections, when the inspection certificates have already been released. For each appeal inspection, AMS issues a new certificate which supersedes the original certificate. In other cases, however, certificates which inspection agencies have released are not corrected if AMS discovers errors. The Grain Standards Act, which limits to licensed inspectors the authority to make original inspections within the United States, precludes AMS from correcting original certificates prepared by licensed inspectors except in the case of appeals.

Because not all AMS-discovered errors have been corrected, thousands of settlements may have been made on the basis of erroneous official grades. Following are a few examples of uncorrected original certificates for wheat.

Location	Quantity (bushels)	Grade No.		Shipment type
		Certificate	Determined by AMS	
Channelview, Tex.....	488,266	2	3	Export vessel.
Do.....	60,000	2	( <sup>1</sup> )	Do.
Corpus Christi, Tex.....	120,000	2	3	Do.
Superior, Wis.....	200,000	2	3	Do.
Minneapolis, Minn.....	50,770	2	3	Outbound barge.
Duluth, Minn.....	1,467	3	1	Inbound rail.
Portland, Oreg.....	3,000	4	2	Do.

<sup>1</sup> Sample grade.

Type of inspection agency (S-State, P-Private, BT- Board of Trade):

- Beaumont - BT
- Des Moines - P, BT
- Duluth - S
- Grand Forks - P
- Houston - P
- Minneapolis - S
- New Orleans - S, P, BT
- Peoria - P, BT
- Philadelphia - S, BT
- Portland - S
- Seattle - S
- St. Louis - S, P

Type of inspection agency:

- Channelview - BT
- Corpus Christi - BT
- Superior - S
- Minneapolis - S
- Duluth - S
- Portland - S

Grain merchandisers are often critical of the lack of grading uniformity among inspection agencies. Considering that large volumes of grain may be purchased and sold at different locations where different agencies are responsible for grading, the merchandisers' concern for uniform grading practices is apparent.

AMS generally did not use available data for comparing grading results of various inspection agencies, although such comparisons would have been useful in identifying dissimilar grading practices. Some grain merchandisers' analyses, such as the following analyses of rail and barge shipments of grain from various Midwest locations to various Gulf port elevators, have shown a high variation rate.

	Rail shipments	Barge shipments
Number analyzed.....	101	519
Comparison of numerical grades assigned by origin and destination agencies:		
Number agreed.....	40	252
Number disagreed.....	61	267
Origin grades higher.....	29	253
Destination grades higher.....	32	14
Grading factor(s) differing:		
Test weight or moisture.....	1	10
Damaged kernel.....	11	34
Broken corn and/or foreign material.....	49	228

Rail Origins:  
Clarks Grove, Minn.  
Clarion, Iowa

Barge Origins:  
Minneapolis  
St. Paul  
Savage, Minn.  
Chicago  
McGregor, Ill.  
St. Louis  
Cincinnati  
Numerous other small  
Midwest locations.

The cause or causes of the above variations were not identified; they could, however, be attributable to any of several possibilities.

- Variations in sampling methods.
- Deterioration of grain during loading or unloading or while in transit. (Such deterioration is common, particularly for overdry corn, as discussed in ch. IV.)
- Bias by licensed inspector at either origin or destination.
- Variations in grading methods or interpretations of standards.

Because of the various possibilities and the difficulty in ascribing variations to any particular cause, analyses such as those above are relatively inconclusive. To grain merchandisers, however, frequent grading variations and the uncertainty about their causes present a considerable concern. Country elevator operators have also expressed such concern. As discussed in the preceding section, 41 percent of the respondent to a mail survey of operators in four States indicated dissatisfaction with the destination weights and grades their grain received.

Until accuracy is substantially improved, additional supervision should be provided, particularly where high error rates have been found. AMS supervision would have been more effective if done on an unannounced and random basis and if inspectors had not been allowed to select the samples or lots to be regraded. Regrading should be done as soon after the original grading as possible so that inspectors can correct any errors before certificates are released.

In October 1975, the Congress appropriated \$5 million for AMS to hire additional supervisory personnel. (See p. 33.) When hired and trained, these additional personnel should enable AMS to substantially increase its supervisory activities.

#### DUPLICATIVE INSPECTIONS UNDER PRESENT SYSTEM

Under the present two-level inspection system, individual lots of grain are often inspected several times. In some cases, the inspections

are made concurrently, so all sampling and grading procedures are duplicated. Also, superseded inspection certificates from preceding inspections are not always recovered.

Under the act and AMS regulations, an interested person may request

- an original inspection at either or both origin and destination;
- one or more succeeding original inspections when a later or more current inspection of the same scope as the preceding original inspection is desired in the same designated inspection area on the same lot of grain;
- a reinspection on any original or succeeding original inspection;
- an appeal inspection on any original inspection, succeeding original inspection, or reinspection; or
- a review of an appeal inspection by the AMS Grain Division's Board of Appeals and Review.

Original inspections, succeeding original inspections, and reinspections are made by licensed inspectors or, in the case of U.S. grain in Canadian ports, by AMS inspectors. Appeal inspections are made by AMS supervisors or, in the case of U.S. grain in Canadian ports, by the Board of Appeals and Review.

The opportunity to request that inspections be repeated is intended to protect the parties to a transaction. Under the present inspection system, where there is much concern about the accuracy of licensed inspectors' determinations, such an opportunity is warranted. Frequently, however, exercise of these options causes duplication and inefficiency.

AMS records showed that licensed inspectors made about 18,000 reinspections and that AMS made about 29,500 appeal inspections in fiscal year 1975. The records did not show, however, the number of succeeding original inspections or the number of inspections that may have been repeated on individual grain lots.

Our analysis of individual inspection certificates disclosed some examples of repetitive inspections on individual lots. For example, a barge containing about 56,000 bushels of wheat was inspected at one location 10 times over a 7-day period—5 times by a licensed inspector and 5 times by an AMS supervisor. Each original and appeal inspection series was requested by the seller and, except for the last, showed that the grain contained an excessive quantity of garlic bulbs, an undesirable quality for which price discounts apply. In this case and in others we noted, it seemed obvious that multiple inspections were requested in the hope that one would eventually yield the desired results.

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St. Louis

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Missouri and  
Illinois locations in  
St. Louis circuit

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In some cases, grain buyers routinely requested reinspections or appeal inspections on each shipment. Such requests generally must show the reason for the request stated in terms of the factor or factors in question. If filed in advance, however, the reason need not be shown.

When a request for an appeal inspection is filed in advance, AMS generally makes its inspection concurrent with the original inspection. In this case the AMS inspector must duplicate all sampling and grading procedures of the licensed inspector. Although the licensed inspector's results are always superseded by those of the AMS inspector, the licensed inspector must inspect the grain because the Grain Standards

Act does not authorize AMS to make original inspections, except at Canadian ports.

The official certificate for each succeeding original inspection, reinspection, and appeal inspection supersedes the certificate from the preceding inspection. AMS regulations provide that certain precautions be taken to prevent fraudulent or unauthorized use of a superseded certificate. Generally, the original certificate is to be surrendered and marked "Void" before a new one is issued.

At one AMS field office, however, records available on 102 cases in which new certifications had been issued after appeal inspections on barge shipments from March 27 through July 25, 1975, showed that none of the original certificates had been surrendered. At another field office, a selection of 98 appeal certificates issued in fiscal year 1975 on truck and rail shipments showed that, in nearly half the cases, the original certificates had not been surrendered

	Minneapolis
	Duluth

Although we did not observe any misuse of superseded certificates, the requirement that precautions be taken to prevent their fraudulent or unauthorized use does not seem to have been effectively followed at these field offices. Field office personnel said that they had no procedures to follow up on superseded certificates that were not surrendered and that they often encountered problems in trying to locate holders of superseded certificates.

Some provision for repeat inspections is necessary, particularly when, as under the present two-level inspection system, there is much concern about the accuracy and reliability of initial grading determinations. However, allowing an unlimited number of repeat inspections, making concurrent inspections, and not requiring that a specific reason be given for each request for a repeat inspection seem unreasonable. Each request increases the workload of either or both licensed inspectors and AMS supervisors. Improving the accuracy and reliability of initial inspections could provide increased confidence in their results and reduce the number of requests for repeat inspections. Also, the provision that superseded certificates be surrendered when repeat inspections are requested needs more stringent enforcement.

PROBLEMS WITH STOWAGE EXAMINATIONS

No matter how clean grain may be when loaded aboard a vessel, it can become contaminated or deteriorate in quality if the storage space is wet, dirty, or insect or vermin infested or contains residues from previous cargoes, such as petroleum or toxic materials. Examinations by licensed personnel of the suitability of stowage space on vessels to receive grain for export have sometimes been deficient. In some cases, licensed personnel have been bribed to falsely certify to the condition of stowage spaces. In other cases, licensed personnel have been negligent in carrying out their responsibilities.

AMS did not issue written instructions to provide for uniformity in making stowage examinations until July 1975. Its supervision of stowage examinations in some locations has not been as extensive as error rates seem to warrant.

To lessen the potential for contaminated grain, AMS regulations require stowage examinations for export grain and other lots of grain which are inspected at the time of loading into a conveyance. Licensed

personnel are to visually examine the identified stowage space or other container that will be used for the grain. The examination is made to detect the presence of insects, vermin, moisture, foreign material, loose rust, residue from a previous cargo, commercially objectionable odor, or other conditions that could contaminate the grain or lower its quality. A certificate stating that the stowage space has been examined and found to be ready for loading is to be issued only after all deficiencies have been corrected.

The inspections usually can be made quickly and do not interfere with loading operations unless deficiencies are found. Corrections of deficiencies can sometimes delay loading for several days, and the cost of the delay plus the cost of fumigating or cleaning to correct the deficiencies is usually high. In some cases, bribes have been offered to try to avoid such delays. As a result of investigations at Gulf ports during 1974 and 1975, six licensed personnel were found guilty of or pleaded guilty to charges of falsely certifying to stowage conditions. The charges included accepting bribes ranging up to \$3,500 each from ships' officers or agents. Two individuals and one firm were found guilty of bribery.

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Destrehan (N.O.)  
Myrtle Grove, La. (N.O.)

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AMS supervision of stowage examinations in some field office circuits has not been as extensive as conditions seem to warrant. In the Houston field office circuit, only 71 of 1,173 stowage examinations were supervised during fiscal year 1975 although in 7, or 10 percent, of the 71 cases the supervisors found that the ships' stowage spaces were not ready to receive grain as had been certified. No official corrective actions were taken in these cases. According to a field office official, the inspection agency's chief inspector normally is notified that his inspector has passed an unfit ship and the inspector is advised to be more careful in the future.

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Houston field office  
circuit

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At some locations, we accompanied AMS supervisors during supervisions of stowage examinations. One supervisor on August 4, 1975, found rust and live insects in five of the six holds of a ship waiting to be loaded with grain. A licensed inspector's prior examinations of the ship's holds on July 24 and of one hold earlier on August 4, had failed to disclose these conditions. Several days elapsed while the holds were repeatedly fumigated—six times in the case of one hold—to destroy the insects. The AMS supervisor concluded that the inspector had been negligent and issued him a corrective action report, an administrative action prescribed for less serious irregularities. (See p. 36.)

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Seattle

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Although AMS regulations implementing the 1968 amendments to the Grain Standards Act require that stowage examinations be made by official inspection personnel, it was not until November 1974 that AMS required inspectors to satisfactorily pass examinations for competency and to be specifically licensed to make stowage examinations. Also, AMS did not issue written instructions on stowage examination procedures and standards of cleanliness until July 1975. This pointed out that, without formalized instructions, then-existing procedures were causing confusion and nonuniformity in stowage examinations.

The new instructions, however, are somewhat general about such matters as inspection agency and AMS field office responsibilities, performance requirements, and supervision of inspectors, and have not eliminated all confusion and nonuniformity. For example:

—Although the instructions provide that stowage examinations apply to water-borne vessels, the examinations of lake vessels at Great Lakes inspection points consisted of deck-level observations of the holds rather than the more comprehensive in-hold inspections given oceangoing vessels.

Duluth  
Superior

—The instructions do not cover ships loaded at Canadian transfer elevators (see next section) or oceangoing vessels which are partially loaded at a Great Lakes port and then fully loaded at a Canadian transfer elevator.

—Although the instructions indicate that AMS supervisory and appeal stowage examinations are generally to be made on a follow-up basis, AMS supervisors at one field office always accompanied the licensed inspectors when supervising or making appeal examinations. At another office, some appeal examinations were made before the licensed inspectors made their examinations. In one case, the licensed inspector used the results of the appeal inspection as his own.

Philadelphia

New Orleans

New Orleans

—The instructions do not adequately set forth the physical qualifications or minimum training needed for making stowage examinations or describe what administrative or other action should be taken when a licensed inspector has improperly certified to stowage conditions.

The instructions need to be revised to eliminate confusion and provide increased uniformity in making stowage examinations.

#### QUESTIONABLE USE OF OFFICIAL INSPECTION CERTIFICATES FROM GREAT LAKES PORTS

Although the Grain Standards Act requires that all grain sold for export by grade be officially inspected, this requirement is not effectively observed for U.S. grain which is inspected and loaded into lake vessels at Great Lakes ports and then is unloaded and stored in Canadian transfer elevators before being reloaded aboard oceangoing vessels for export. Under the act, AMS is authorized to provide any or all inspection services at the transfer elevators but such services must be requested. Unless requested by the exporter or foreign buyer, the transshipped grain is not regraded when it is reloaded for export and is delivered under the original inspection certificate, known as a western grade certificate.

The certificate shows the date and place of inspection and the name of the lake vessel into which the grain was originally loaded and states that it "may not represent the grade, quality, or condition at a subsequent date or place." It does not, however, otherwise indicate that the grain was transshipped. According to one exporter, grain sold on the basis of western grade certificates is usually sold at a discount.

According to an AMS official, western grades may be used for transshipments if the identity of the grain has been preserved in the transfer elevator. In many cases, however, such grain is commingled at the transfer elevator or in the export vessel with grain from other lots and loses its identity. Some samples of transshipped grain, inspected at our request, showed that the grain was of a much lower quality than the original certificates showed. Although transshipped grain may sell at a discount, we question the appropriateness of



using a certificate showing official inspection results which may no longer apply.

We asked an AMS inspector to grade four samples from two elevators. The samples represented about 3 million bushels of transshipped corn, which the western grade certificates showed as number 3 grade corn. The samples had been drawn at the request of the foreign buyer and were found to be in compliance with U.S. standards related to insect infestation—the only factor for which the foreign buyer had requested inspection.

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Inspector located  
in Montreal

To qualify as number 3 grade, corn should contain not more than 4 percent of broken corn and foreign material (BCFM). The grading results, however, showed BCFM content in the samples of 7.3, 13.1, 15.8, and 16.2 percent, each of which represented sample grade rather than number 3 grade corn. According to the AMS inspector, some increase in BCFM could have resulted from unloading, handling, and reloading the corn at the transfer elevator, but such large increases were unlikely. One exporter told us it was normal practice to clean (screen) some corn at transfer elevators to reduce BCFM content. The AMS inspector said he had been told the cleaned corn would be sold in Canada while the screenings would be blended with western grade shipments.

In a July 1975 internal AMS memorandum, the inspector said his office's checks of many western grade cargoes showed that BCFM usually ranged from 10 to 25 percent. He said that, if USDA wanted to stop the misuse of western grade certificates in Canada, all certificates on lake vessel-carried grain would have to be marked "not valid for transshipment" and inspection and grading would have to be mandatory.

In January 1976, AMS officials told us that they knew of abuses in the use of western grade certificates and that they were amending AMS regulations to make western grade certificates invalid for transshipped grain.

#### PROBLEMS IN IMPROVING PERSONNEL ADMINISTRATION

The involvement in the inspection system of over 100 inspection agencies, some providing inspection services to only 1 or 2 elevators, leads to a lack of uniformity in recruiting and training, uneven distribution of workloads, and limited opportunities for rotating personnel between assignments. Because grain may move over long distances and between markets, uniform application of grain standards, although difficult, is extremely important. Frequently, however, lack of uniformity between origin and destination grading has led to disputes between buyers and sellers and to distrust in the integrity of the inspection system.

AMS officials said that they recognized the need for improvement in personnel administration but that it was not possible under the present inspection system.

#### PERSONNEL RECRUITMENT

According to AMS regulations, license applicants must meet certain criteria relating to education, experience, and competency. However, there are no programwide requirements related specifically to hiring

new employees who may carry out inspection-related duties for long periods before being deemed ready to apply for inspectors' licenses.

Some State-operated inspection agencies follow State civil service requirements for recruiting new personnel. AMS, however, has little knowledge of personnel practices or employment requirements used by private and board of trade inspection agencies. The capability and integrity of the inspection system would be enhanced by the development of a personnel management system and modern personnel concepts to insure the hiring of an adequate number of well-qualified and reliable personnel.

#### TRAINING

The potential for more uniform grain sampling and grading would be increased if all inspection personnel received the same training and if more extensive training were provided. According to AMS regulations, designated inspection agencies have primary responsibility for training their personnel. For this reason and because they might be criticized if AMS-trained personnel were later found deficient, some AMS field offices were reluctant to provide or assist in the initial training of inspection agency personnel. Further, AMS had not developed any standardized training program or curriculum for the inspection agencies to follow. The agencies relied mainly on on-the-job training which generally extended over a minimum of 1 to 2 years before the employees applied for inspectors' licenses. Also, there was little evidence of more extensive, classroom-type training.

A standardized training program would increase assurance that proper and uniform inspection procedures would be taught to all inspection personnel. Also, more extensive training, particularly classroom-type training, seems necessary in view of the importance of precise representative sampling and the delicate judgments required for grading.

#### WORKLOAD DISTRIBUTION

Obtaining uniform inspection results was complicated when, due to seasonal or other periodic workload fluctuations, individual inspectors were burdened with heavy workloads. Prompt completion of inspections on a timely basis is extremely critical because any backlogs can delay elevator operations.

In some situations involving heavy workloads, inspectors did not allow enough time to properly conduct inspections. For example, at one agency visited, an inspector at one location made 116 inspections during 1 day and, according to the AMS supervisor, did not complete all required grading steps. In another case, records showed that one agency's inspectors averaged 100 inspections a day over a 1-month period. Although AMS has not developed guidelines on maximum inspection workloads, AMS officials said it was questionable whether proper inspections could have been made in the above circumstances.

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Alton, Ill.

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Decatur, Ill.

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#### PERSONNEL ROTATION

Distributing inspection responsibilities among many separate agencies, some of which provide inspection services to only one or two elevators, greatly limits the opportunities for rotating personnel between assignments. Personnel rotation, to help prevent a buildup of

conflicting interests and preserve an independent attitude, is a basic control measure in any inspection activity.

Personnel assigned to a single elevator for long periods can become susceptible to loss or compromise of independence in a variety of ways. For example,

- working alongside elevator employees and management for long periods may tend to develop relationships and attitudes favorable to elevator interests, or
- personnel on extended assignments can become easy prey for special gratuities or even bribes.

Many smaller agencies' opportunities for rotating inspectors are limited. Of the 26 designated agencies inspecting export shipments, 17 made inspections at only 1 or 2 elevators and therefore had little or no opportunity for rotating inspectors. Some licensed inspectors have remained at a single elevator as long as 15 years.

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Westwego, La. (N.O.)  
New Orleans

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#### LIMITED EFFECTIVENESS OF AMS ADMINISTRATION AND SUPERVISION

The effectiveness of AMS's administration and supervision of the grain inspection system has been limited not only because the system has been designed and operated essentially to facilitate grain marketing but also because AMS has not.

- had an adequate number of personnel to carry out its heavy workload responsibilities,
- taken aggressive action to correct all identified weaknesses or to determine the extent of indicated weaknesses, or
- established specific criteria on whether and what actions should be taken when grading, sampling, or other inspection irregularities occur.

#### FIELD OFFICE SUPERVISION

In addition to the conditions which complicated effective supervision of sampling and grading operations (see pp. 20 and 24), the field offices' ability to properly supervise the designated agencies' activities was hampered due to shortages of supervisory personnel and the large volume of other assigned activities.

As of July 1975, 223 Grain Division personnel assigned to AMS field offices were responsible for supervising the work of about 2,655 licensed inspectors, samplers, and technicians. On the average in fiscal year 1975, only about 40 percent of their time—an equivalent of about 88 staff-years—was devoted to such supervision. The rest was spent making original inspections of processed grain commodities under the Agricultural Marketing Act of 1946, as amended (7 U.S.C. 1621); responding to appeals for grain inspections; and carrying out indirect and miscellaneous activities.

AMS field offices generally gave a higher priority to services other than supervision of licensed personnel. To a large extent, these other services were provided in conjunction with loading or unloading transport conveyances, the delay of which could create costly production shutdowns or delays. In contrast, supervision did not directly involve production activities and could more easily be deferred without causing such interference. In addition, AMS assessed fees or hourly labor charges to cover the costs of processed commodity and appeal inspections while it earned no income for supervision activities.

In some AMS field office circuits, nonsupervision activities consumed a large portion of the supervisors' available time. In the Houston circuit, where about 13 percent of all export inspections were handled, 84 percent of the fiscal year 1975 staff time was devoted to inspecting rice and other commodities under the Agricultural Marketing Act or to making appeal inspections; only 16 percent was spent supervising licensed personnel. Other field offices which used less than 30 percent of their available staff time in fiscal year 1975 for supervision activities included Fort Worth, Texas; Kansas City, Missouri; Mobile, Alabama; New Orleans, Louisiana; Peoria, Illinois; and Wichita, Kansas.

AMS personnel believed that, on occasion, grain firms had requested appeal inspections on railcars or barges to purposely overload AMS supervisors and reduce their availability to supervise inspections of grain being exported. A licensed inspector said that this was the case at an elevator where he had previously inspected grain.

Although the grain inspection workload greatly increased beginning in fiscal year 1973, the number of AMS field supervisors remained relatively unchanged from 1968 until January 1976. During fiscal years 1973-75, the number of grain inspections averaged 3.7 million a year—an increase of about 35 percent over the annual average for the prior 5 years. Other workload activities also increased substantially. For example, during fiscal years 1973-75, the average annual number of appeal inspections increased by 44 percent over the annual average for the prior 5 years.

Since 1968, AMS has twice initiated budget requests for funds to increase its supervisory staff: by 12 for fiscal year 1969 and by 14 for fiscal year 1976. Both requests were deleted during the budget review process. Even if retained, these requests would have provided for only a minor increase.

In October 1975, after weaknesses in the inspection system had been publicized, the Congress included \$5 million in USDA's fiscal year 1976 appropriations for AMS to employ about 200 additional supervisory personnel to improve and strengthen existing inspection procedures. In January 1976, AMS officials told us that 65 persons had been hired and they hoped to have all the additional persons hired by March 15, 1976.

ACTION ON INTERNAL USDA REPORTS

During recent years, several internal USDA reports, including AMS employees' memorandums, identified potential or existing weaknesses in the grain inspection system. Although these reports contained no outright evidence of unlawful or fraudulent practices, they pointed out both foreign buyers' problems with the quality of U.S. grain and certain deficiencies and weaknesses in grain inspection procedures, practices, and regulations. AMS corrected some deficiencies but others continued. Also, aggressive action was not taken to determine the extent of some of the system weaknesses which were being disclosed so that appropriate action could be devised.

Two of the more important reports were a 1969 trip report by J. A. Browning, Chairman of the Grain Division's Board of Appeals and Review, on his trip to the United Kingdom and Western Europe

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Locations as shown  
in narrative

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Duluth  
New Orleans

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Destrehan (N.O.)

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(Browning report) and a 1973 Office of Audit report on the grain inspection program.

*1969 Browning report*

Mr. Browning's February 1969 trip report to the then Chief of the Grain Division's Inspection Branch discussed problems, such as excessive moisture and BCFM in corn shipments, which are similar to problems being voiced by foreign buyers today. (See ch. III.) He reported foreign buyers' allegations that the U.S. inspection system was subject to bribery and fraud and their suggestions that penalties for misconduct be increased. He cited the growing competition to U.S. grain in European countries and said he could not stress too strongly the part that good inspection practices, constant supervision, and quality control must play in helping the United States retain the overseas grain market.

The report concluded that

- research should be done on (1) loading methods to prevent stratification of whole and broken corn in carriers, (2) unloading methods to eliminate further breakage, and (3) development of more resistance to cracking in U.S. corn varieties;
- educational work should be done to eliminate the misconception promoted by importers of U.S. grain that the inspection certificates issued at U.S. export points evidence the quality of corn the importers are delivering to their customers;
- exporters, knowing the fragile condition of corn, should load well within the BCFM limit allowed for the grade being shipped rather than loading the maximum limit;
- the Grain Division should make "doubly sure" that there is no (1) bribery of inspectors, (2) falsification of inspection certificates, (3) misgrading of grain, or (4) improper sampling; and
- the Grain Division should have the personnel and funds needed to supervise and keep under surveillance weekend and night loading of grain at export points (which the report did not identify) where foreign complaints indicated loading of lower grade grain than that indicated on the inspection certificates.

Although the report contained serious allegations and indicated a number of potential problems, we were unable to determine the specific actions, if any, that AMS had taken to follow up on the allegations or to determine the extent of the problems. The former Chief of the Inspection Branch told us that travelers before, during, and after the Browning visit had made similar recommendations, all of which were considered in writing the regulations implementing the 1968 amendments to the Grain Standards Act. He said, however, that it would be difficult to pinpoint the specific action taken in response to any particular recommendation.

*1973 Office of Audit report*

In a May 1973 report to the AMS Administrator, USDA's Office of Audit identified deficiencies in grain inspection procedures, practices, and regulations. The report was based on a nationwide audit of the grain inspection program. Following are some of the deficiencies reported.

- The amount of training, testing, and supervision provided to new samplers was left to the AMS supervisors' discretion. Most new

samplers were not tested for competency before licensing and were not required to pass a formal test until they applied for license renewal after working 3 years. Instructions and guidelines were needed for licensing and supervising samplers.

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| <ul style="list-style-type: none"> <li>—At some inspection points, sampling equipment and samples were accessible to elevator personnel and others. At one location, blank official inspection certificates were left in an open, unattended cabinet.</li> </ul>   | <hr/> Corpus Christi<br>Portland<br>Houston<br><hr/>  |
| <ul style="list-style-type: none"> <li>—At various inspection points, different procedures were used in the sampling and grading of grain being loaded from more than one conveyor belt or other source. In some cases, grain from each conveyor belt or other source was being sampled and graded separately; in other cases, such samples were combined and graded as one sample.</li> </ul>           | <hr/> Sacramento<br><hr/> New Orleans, Chicago<br><hr/>   |
| <ul style="list-style-type: none"> <li>—AMS supervisors and licensed inspectors sometimes used unapproved shortcuts by (1) grading smaller samples than required by existing instructions or (2) not grading a second portion of a sample when the grade was determined on a narrow margin or when the results were just under the grade limit.</li> </ul>   | <hr/> Specific locations<br>not identified<br><hr/>   |
| <ul style="list-style-type: none"> <li>—The Grain Division did not have a system for prompt decisions on such matters as proposed instructions, amendments to regulations, replies to foreign complaints, and requests for investigations.</li> </ul>  | <hr/>   |
| <ul style="list-style-type: none"> <li>—Standards and instructions needed improvement to prevent the shipping of undetected infested grain and to insure uniformity in testing for weevils or other insects and in grading grain as "weevily."</li> </ul>  | <hr/> Applicable to all ports,<br>especially New Orleans<br><hr/>                                       |
| <ul style="list-style-type: none"> <li>—Instructions were needed to avoid confusion and lack of uniformity in making stowage examinations.</li> </ul>  | <hr/>   |
| <ul style="list-style-type: none"> <li>—Licensed inspectors and AMS supervisors did not always (1) verify the stowage location of grain being loaded aboard ship or (2) test mechanical samplers in accordance with instructions.</li> </ul>   | <hr/> Applicable to all<br>ports, especially<br>Chicago, New Orleans,<br>Houston, and Portland<br><hr/> |
| <ul style="list-style-type: none"> <li>—Some field offices did not follow reporting instructions, and important management control information was not used to insure that the field offices provided adequate supervision to inspection agency personnel. The auditors estimated that, at one field office, AMS supervisors spent 90 percent of their time in the office rather than onsite.</li> </ul> | <hr/> Fort Worth<br><hr/>   |

AMS generally agreed with the auditors' recommendations and took, or said it planned to take, action on a number of the deficiencies. However, many of the deficiencies, including the following, still existed during our review.

- AMS has not revised the standards and instructions to prevent the shipping of undetected infested grain or to insure uniformity of infestation tests made by the various field offices and inspection agencies. AMS's target date for these revisions is July 1976.
- AMS instructions for stowage examinations, issued in July 1975, need further revision to eliminate confusion and provide for increased uniformity. (See page 27.)
- AMS has not adequately insured that licensed inspectors safeguard official samples of grain to maintain their integrity. (See page 19.)

AMS officials said that the Office of Audit report was very comprehensive and that they were doing their best to correct the identified deficiencies.

ADMINISTRATIVE ACTIONS

Although AMS supervisors found many grading, sampling, and other irregularities while supervising the work of licensed personnel, corrective action to prevent recurrences was seldom taken, mainly because there were no specific criteria for determining what actions should be taken. When action was taken, it was inconsistent. Also, because licensed personnel were employees of designated inspection agencies, AMS supervisors were in a difficult position to effectively prevent recurrences of irregularities.

Under the act and AMS regulations, official inspection personnel are subject to certain administrative action whenever it is found that they have improperly performed any official function or have otherwise violated the act or AMS regulations or instructions. The regulations require that such action be promptly initiated. In the case of serious violations, which may also be subject to criminal prosecution, AMS may refuse to renew or may suspend or revoke a license after the licensee has been afforded an opportunity for a hearing. If deemed in the best interest of the inspection system, AMS may, before a hearing, suspend a license temporarily pending final determination. The actions taken since 1964, as shown in AMS records, follow.

Action	Number of cases		
	Total	1964 to August 1974	August 1974 to January 1976
License temporarily suspended pending final determination .....	17	2	15
License suspended for a definite period .....	5	5	.....
Renewal of license refused .....	1	1	.....
License revoked .....	8	1	7
Total .....	31	9	22

These cases involved inspectors from the following AMS circuits:

- Spokane
- Houston
- Chicago
- New Orleans

AMS may dispose of less serious cases by issuing corrective action reports or written notices of warning. AMS considers as less serious such irregularities as unintentional misgrading or poor sampling techniques. However, no specific criteria exist on the type or duration of the action to be taken when irregularities occur. According to an AMS official, administrative actions are determined on a case-by-case basis and depend on the nature and frequency of the irregularities.

AMS supervisors often find irregularities in grading. According to operating instructions, the supervisor is to prepare a record of sampling and grading information on each appeal and supervision inspection. The supervisor in charge of each field office is to periodically review these records and, when he determines that deficiencies have been flagrant or excessively repetitious, is to initiate a corrective action report which is routed to the AMS supervisor. The AMS supervisor is to determine the cause of the deficiency, discuss the deficiency with the licensed inspector, take the necessary corrective action to prevent recurrences, and complete the report to show the corrective action and the inspector's comments, if any.

The determination of which irregularities should be considered flagrant or excessively repetitious was generally left to the discretion

of field office personnel. This resulted in inconsistencies between and within field offices in determining whether and what actions would be taken.

In the case of incorrect grade certificates, for example, some field offices followed a 1968 guideline established by one AMS office that all incorrect grades of one grade or more on certificates of export grain or two grades or more on other certificates would be considered flagrant deficiencies for which corrective action reports were to be issued. Officials at other AMS field offices did not follow this guideline. They said use of the report in such cases was unwarranted because they generally were unable to establish that the deficiency was caused by the inspector's willfulness or his incompetence. In many instances, deficiencies could be attributable to other circumstances, such as faulty grading equipment or sampling methods or defects in grading technology, for which the inspector could not be held responsible.

At one field office, corrective action reports were used for only about one-fourth of the total number of irregularities which according to the 1968 guideline, would have been considered flagrant. At four other field offices, the use of the reports appeared to be even less frequent. Many apparent flagrant or repetitious deficiencies therefore went unreported and, consequently, were not dealt with by AMS supervisors.

Even when irregularities were reported, they were not always dealt with effectively and decisively. AMS supervisors told us that, when corrective action reports were prepared, they generally discussed the deficiencies with the licensed personnel but that they believed the inspection agency's chief inspector was responsible for necessary followup supervision. Also, since the licensed personnel were not AMS employees, AMS supervisors were limited in dealing effectively with deficiencies. For example, AMS supervisors could not provide additional training, maintain close and frequent surveillance of the licensee's work, or control the licensee's assignments.

AMS's lack of decisiveness was especially evident in the case of an inspector who was found to have made exceptionally serious grading errors on 10 occasions over a 3-year period. The inspector was finally ordered to be reexamined and, upon failing the examination for three grains—barley, rye, and soybeans—he was declared incompetent.

AMS took no action to immediately suspend his license. Instead, it allowed for a formal appeal proceeding to which the inspector was entitled. Although the license was suspended about 12 months later, during the interim AMS supervisors found additional flagrant deficiencies. The inspector's assignments during this period included the grading of about 9 million bushels of barley, rye, and soybeans.

AMS supervisors encountered other types of deficiencies with inspection personnel, including alcoholism, carelessness, and other improper behavior, which they were unable to deal with effectively. AMS officials told us that inspection personnel often ignored or refused AMS supervisors' direct advice and that frequently the inspection agencies' management refused to cooperate with AMS.

AMS's ability to effectively administer and supervise the grain inspection system is affected, in large part, by the facts that (1) the system was designed to operate primarily through designated non-Federal agencies and (2) its primary objective is to facilitate grain marketing. Despite these limits, however, AMS's administration and supervision could have been more effective.

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Duluth	
Seattle	Portland
Houston	St. Louis

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Duluth

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St. Louis (Alton)
Peoria, Ill.
Danville, Ill.
Des Moines, Ia.
Minneapolis
Seattle

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AMS reduced its supervision of licensed personnel in some locations to levels far below those needed. Also, its requests for staffing increases were not realistic in relation to workload increases, particularly at those locations where important services other than supervision of sampling and grading consumed extremely large portions of available time. Additional supervisory personnel authorized by the Congress in October 1975 should help bring AMS's staffing level more in line with its workload requirements.

Also, AMS could have more aggressively followed up on identified and indicated weaknesses. Timely and thorough reviews and investigations of alleged or reported discrepancies and abuses—a basic management responsibility—might have helped alleviate problems in the existing inspection system.

Clear and specific criteria on actions to be taken when irregularities occurred should also have been established. The lack of such criteria led to inconsistencies in dealing with deficient inspection procedures and practices. Also, AMS supervisors were not able to effectively deal with inspection deficiencies since the licensed personnel were employees of the designated inspection agencies.

#### ADMINISTRATION'S PROPOSAL TO STRENGTHEN THE NATIONAL GRAIN INSPECTION SYSTEM AND OUR EVALUATION AND CONCLUSIONS

The foregoing sections detailed some of the numerous problems, deficiencies, and criminal abuses related to the present national grain inspection system. These disclosures, together with the matters already covered in congressional hearings and internal USDA reports, have led to a strong demand for remedial action to restore integrity to the system. A key question in this regard is whether such remedial action should be directed to administrative inadequacies on the part of USDA and its designated inspection agencies, to more fundamental problems involving the alignment and definitions of responsibilities between USDA and its designees, or to some combination of both.

#### ADMINISTRATION PROPOSAL

In responding to the need for remedial action, a task force of USDA officials and a representative of the Office of Management and Budget was formed to deal with present problems in the grain inspection system. The task force studied five options in the form of alternative systems, as follows:

1. Continue the basic elements of the present system but tighten conflict-of-interest and penalty provisions, and increase Federal employment to permit 100-percent supervision of grain exports.
2. Continue the basic elements of the present system, with tighter conflict-of-interest and penalty provisions, in geographic areas where official inspection agencies can meet proposed new standards of performance, but permit USDA to make original inspections where inspection agencies cannot meet such standards.
3. Eliminate the private sector as official inspection agencies, continue the designation of State agencies as official inspection agencies, and permit USDA to make original inspections in those geographical areas where States are unwilling or incapable of providing grain inspection service.

4. Permit State inspection agencies to make original inspections on nonexport grain, with USDA assuming responsibility for export inspections and for domestic inspections where States are unwilling or incapable of making inspections.

5. Establish an all-Federal system.

After discussions between USDA and the Office of Management and Budget, the Administration chose alternative 2. In bills currently before the Congress (H.R. 9467 and S. 2297), the Administration proposes retaining the existing two-level grain inspection system and tightening up various administrative procedures, including authorizing USDA to

- make original inspections on an interim basis in certain situations;
- monitor activities in foreign ports for grain officially inspected;
- further limit conflict-of-interest situations;
- require official inspection agencies to meet their designated responsibilities regarding training, staffing, supervision, and reporting requirements; and
- make triennial designations of all official inspection agencies.

Also, the Congress recently appropriated \$5 million for AMS to hire about 200 additional employees to increase its supervision of the grain inspection system.

#### OUR EVALUATION AND CONCLUSIONS

We believe the Administration's proposal and the increased staffing could strengthen the present system. However, they do not go far enough; more fundamental changes are required.

In our opinion, the prime consideration in dealing with the system's serious breakdown should be to design a system which will offer reasonable assurance of working well; which in time will rebuild a solid reputation for integrity, competency, and efficiency within the United States and throughout the world; and which clearly fixes responsibilities for any deficiencies or abuses. Such a system should be directly controlled and, wherever practicable, operated by the Federal Government.

We believe that USDA's role in the national grain inspection system has not been conceived or carried out in a manner which enables it to exercise effective control over the system and to insure the accuracy of grain quality as set forth on inspection certificates. The present inspection certificates are neither prepared nor issued by USDA, except for appeals and some shipments of U.S. grain from Canadian ports. The individual certificate is basically a representation by one of the designated inspection agencies subject only to USDA's loosely drawn supervisory or monitoring role.

Grain sampling, grading, stowage examinations, and other essential elements of the total grain inspection system are not now, and under the Administration's proposal could not realistically be, subjected to sufficient Federal supervision to warrant any claim that the designated agencies' inspection certificates are a product of USDA or of the U.S. Government.

Although USDA's overall direction and supervision of the existing system have been deficient, the system's structure, the general atmosphere in which the system operates, and the almost total absence of

any direct Federal role sharply limit the responsibility which can be placed with USDA for serious shortcomings. Although increased Federal supervision, more severe penalties, and more intensive and extensive investigations by USDA could contribute to more integrity in system operations, it is not feasible to increase Federal supervision to prevent circumvention of the system by persons so inclined.

A further shortcoming with the present inspection system is that USDA does not have authority to control the weighing of grain in conjunction with the preparation of inspection certificates. Inspectors generally must accept weights furnished by elevator operators to describe the quantities of grain they inspect. The inspectors cannot be assured that all quantities in a lot are sampled. This shortcoming seriously compromises the value of the inspection certificates. Grain quality determinations should, in our view, be clearly related to specific quantities of grain and both determinations should be shown on the inspection certificates. The Administration's proposal makes no reference to grain weighing.

In our view, the organization charged with administering the national grain inspection system must have the capability to:

1. Establish and administer adequate and uniform standards for recruiting, training, and supervising inspection personnel.
2. Establish and administer a rotation program for inspectors.
3. Prescribe and enforce appropriate work production standards for inspectors.
4. Establish and administer an adequate system of controls and procedures for the sampling process, including equipment operation and maintenance.
5. Eliminate all conflicts of interest as well as the appearance of such conflicts and impose appropriate penalties for violations quickly and decisively.
6. Promote continuing research to achieve uniform and accurate grading.
7. Establish and administer adequate controls, standards, and procedures for weighing grain, including safeguards over equipment calibration and maintenance.
8. Respond quickly and decisively with appropriate reviews and investigations of reported discrepancies and abuses.

We question whether the above procedural and performance standards would be achieved under the existing two-level system which the Administration would retain. The problem of maintaining uniformity, consistency, and high standards of performance in the national inspection system is a formidable one and is greatly complicated by the fact that the system is operated through widely dispersed State, trade-related, and private agencies.

Recent experience has shown that the inspection system can function only as well as the designated inspection agencies and the grain trade choose to make it function. AMS officials told us, for example, that some of the problems they have encountered in dealing with State inspection agencies and with the private agencies and trade associations have been (1) the agencies' general unwillingness to cooperate fully in the proper administration of the inspection system and resentment of Federal supervision by the States in particular, (2) some agencies' tendency to circumvent or compromise prescribed pro-

cedures and regulations as quickly as they are written, (3) AMS's inability to obtain timely corrective action when deficiencies are found because problems and complaints must often be routed through various channels, (4) the impracticality of AMS's providing centralized training to inspection personnel, (5) AMS's inability to readily discipline or discharge incompetent or uncooperative inspection personnel, and (6) the lack of a merit system for employment and promotion which sometimes results in employees of questionable ability.

The task force indicated that an all-Federal system would have the advantages of uniformity, consistency, and control, as well as the intangible benefit of increased confidence, as follows:

1. Better control of inspection activities by:
  - a. More uniform application of standards;
  - b. More uniform training and qualification standards;
  - c. Quicker reaction to crop quality inspection problems; (Direct communication with all offices.)
  - d. Providing more accurate and complete data on crop quality, movement, and sales;
  - e. Greater flexibility in utilization of inspection personnel; (Cross utilization between programs of AMS possible, particularly those having seasonal work.)
  - f. Maximum use of standardized equipment and improved maintenance of inspection equipment; (All equipment up to date and checked for accuracy by specially trained teams.)

\* \* \*
2. Reduction of improper influence over licensees by minimizing conflicts of interest. (Close control and rotation of employees.)
3. Increased confidence in the inspection service. (Nation-wide consistency of grading and inspection by uniformly [sic] trained Federal employees.)
4. Reduces the number of multiple inspections (appeals after originals would be reduced as both levels of inspection would be performed by Federal supervisors).
5. Eliminates jurisdictional conflicts over inspection areas.

USDA also cited the following disadvantages of a total Federal system.

1. Increase in cost to the public and users of the service.
2. Increase in the number of Federal employees.
3. Possible cost of reimbursement or restitution to agencies for loss of business. (Official inspection agencies designated by USDA have assumed liabilities based on their designations.)<sup>1</sup>
4. Loss of employment for some licensees. (Most qualified licensees employed by the current official inspection agency would be hired by USDA under this alternative.)
5. Prevents States from providing a grain inspection service.

*Cost of a Federal inspection system*

We are not able at this time to estimate the cost for a federally operated system, since numerous details need to be worked out on such matters as the system's organization, inspection and weighing stand-

<sup>1</sup> While the matter is not free from doubt, in our opinion payment for loss of business would not be legally required. Any equipment in the hands of designated agencies could be purchased for use by the Government.

ards and procedures, fees, qualifications of employees, and implications of employee rotation. However, we question the validity of the task force's contention that a Federal system would increase costs to the public and users of the service.

The users now are assessed fees or charges for inspection services, including most Federal appeal inspections. We believe that fees and charges for Federal inspection services can be fixed in reasonable amounts that will either entirely or substantially recover the fair costs of providing such services. Further, we believe that an efficient and effective Federal system can be developed which would afford ample opportunity for efficiencies and economies not currently realizable under the present system in which Federal supervision overlaps designated agencies, a number of which are operated for profit.

A more effective and reliable inspection system should reduce the inspection workload. Under the present system, grain is often inspected at both origin and destination. The duplicate inspections are often made because buyers and sellers lack confidence in the accuracy and uniformity of inspections at other locations. If a highly reliable inspection service were established at major destination points, the need for origin inspections should diminish. This workload reduction, in turn, would reduce the number of personnel needed.

Also, it is not uncommon for grain to be inspected and reinspected on multiple occasions. Export grain is often inspected four or five times. A highly reliable inspection system at major destination points should reduce the need for inspections of samples from country elevators. During fiscal year 1975, about 900,000 inspections, or about 26 percent of the total inspection workload, involved such samples.

The adoption of a federally operated system should result in a reduced number of appeal inspections. About 60 AMS staff-years were expended in fiscal year 1975 to respond to appeals. Appeals are usually made either because grades arrived at by the licensed inspectors are questionable or because grain buyers lack confidence in the licensed inspectors' abilities. Also, some foreign buyers routinely request appeal inspections before original inspections are made. Since appeal inspections are in addition to those of the licensed inspectors, a federally operated system should bring about a reduced appeal workload, particularly if the system can become highly reliable.

A reduction in the number of inspection agencies should result also in some increased efficiency in administrative and supportive services. A Federal system under single-agency administration would appear to offer more potential for administrative efficiency than the present system involving over 100 State and private agencies and a Federal supervisory structure.

It is presumed that personnel salaries under a Federal system would be set at levels suitable for the skills and responsibilities involved. These salaries may be higher or lower than those now paid by State or private agencies. Although some States may pay less than the Federal Government, some private inspectors' annual salaries and incomes have exceeded \$30,000 with some earning up to \$78,000.

*Other considerations*

Recent widely publicized abuses in the grain inspection system involving such matters as intentional misgrading of grain, shortweighing, and using improperly inspected carriers have led to an erosion of

Grand Forks, N.D.  
Aberdeen, S.D.  
Des Moines, Ia.  
Champaign, Ill.  
Danville, Ill.

confidence in the system both within the United States and abroad. Many persons—from American farmers to foreign buyers—are looking to the Federal Government to restore integrity to the system and to thereby facilitate the orderly marketing of grain domestically and promote the continued expansion of foreign agricultural markets. The situation, in our view, calls for substantive changes to eliminate weaknesses in controls and lessen the likelihood of any repetition of recent abuses.

Although none of the various proposed alternatives to the present system is without some disadvantage to those now involved in the system, the gravity of the problem calls for placing the overall national interest first. A soundly established, federally operated grain inspection system should, in our view, serve as positive evidence of American farmers, foreign buyers, traders, and end users of the U.S. commitment to a sound and reliable system.

Of the volume of grain inspected during fiscal year 1975, about 85 percent was inspected at the 36 domestic ports and 25 largest inland inspection points; the remaining 15 percent was inspected at the 122 smaller inland inspection points. We recognize that it may be impractical to provide direct Federal inspection at all smaller inland inspection points and at country elevators where the volumes of grain requiring official inspection are low or sporadic. At these locations, the cost of employing enough inspection personnel to insure reliable sampling would be excessive. To accommodate the needs of minor inland terminal and country elevators, USDA should be authorized to provide inspection services, on a request basis, through contracting or licensing arrangements. Such services could be provided by either State inspection agencies (first preference) or carefully selected and screened private agencies subject to USDA review and supervision.

The need to distinguish between major and minor terminals and to thereafter designate supplementary non-Federal inspection agencies will, of necessity, call for considerable discretion and judgment on USDA's part. Also, moving to an essentially all-Federal system will undoubtedly take time.

In phasing in a federally operated inspection system, a high priority should be given to establishing Federal inspection services at all port elevators, since recent disclosures of extensive criminal abuses and other shortcomings in the inspection system have involved port elevators primarily. Also, prolonging or postponing the development of a reliable inspection system at such elevators could have a lasting effect on foreign sales.

In summary, we believe that an essentially all-Federal inspection system would:

- Restore integrity and confidence in the inspection system.
- Provide greater uniformity and consistency in inspection procedures and operations.
- Establish an independent system, eliminating actual and potential conflicts of interest.
- Develop an inspection force conforming to uniform hiring and training requirements.
- Permit rotation of the inspection force among specific localities.
- Provide greater flexibility in use of inspection personnel, especially where seasonal work may be involved.

- Provide for maximum use of standardized equipment and better maintenance of equipment.
- Reduce the number of multiple or duplicate inspections presently required.
- Reduce the number of inspection agencies to increase administrative efficiency.
- Increase foreign trade or at least reduce chances of customers choosing to buy from other sources.
- Place inspectors under direct control of USDA to provide more effective authority to deal with inspector deficiencies.
- Eliminate present inequities whereby some inspectors earn annual salaries or incomes from \$30,000 to, in some cases, \$78,000.
- Give USDA direct responsibility and authority to deal with elevators whose complex grain-handling systems allow for easy circumvention of controls over drawing of representative grain samples.

RECOMMENDATIONS TO THE CONGRESS AND THE SECRETARY OF  
AGRICULTURE

To insure, insofar as possible, that grain trading within the United States and with foreign countries is conducted in an orderly manner and that the interests of all parties concerned are adequately protected and to restore worldwide confidence in the quality, reliability, and uniformity of U.S. grain, we believe that fundamental changes are required in the grain inspection system. Accordingly, we recommend that the Congress establish essentially a Federal grain inspection system.

Recognizing that creating an essentially all-Federal system will take time and that, while some changes can be effected immediately, other changes, although urgently needed, will for practical reasons take more time for fully accomplish, we recommend that the system be established in phases, as follows:

The Congress should—

PHASE I

- provide USDA with authority to take over inspection services immediately from those States or firms where serious problems are disclosed,
- direct USDA to intensify surveillance over ongoing inspection services being provided by the States, trade associations, and private agencies until phases II and III are implemented,

PHASE II

- authorize and direct USDA to assume responsibility, at the earliest possible date, for providing inspection services—sampling, grading, and weighing—and for issuing official inspection certificates at all port elevators,

PHASE III

- authorize and direct USDA to extend the Federal inspection system (including sampling, grading, and weighing) to the main

inland terminals, after sufficient experience has been obtained at the ports, and

—direct USDA to provide inspection services, on a request basis and under contracting or licensing arrangements, at minor inland terminal and country elevators. Such services should be provided under USDA-prescribed standards and procedures and should be subject to USDA review and supervision.

We recommend also that inspection services be provided on a reimbursable basis under a system of fees designed to recover the fair costs of operating the system.

We recommend that USDA use distinctively colored and worded inspection certificates which are not authorized for use by any State or other agency. Non-Federal agencies providing inspection services at minor inland or country elevators should be provided with distinctively colored and worded inspection certificates. This should help to avoid confusion about immediate responsibility for the certificates' accuracy.

We recommend further that, in developing standards and procedures for a Federal grain inspection system, either by legislation or by regulation, the Congress and USDA consider the following matters.

*Conflicts of interest.*—The system should prohibit all of these, actual and potential, and should impose appropriate penalties for violations on the part of grain handlers and inspection personnel.

*Sampling grain.*—Adequate controls and procedures should be established for this process, including equipment operation and maintenance. Automated equipment should be mandatory to the extent feasible.

*Weighing grain.*—Grain weighing should be made part of the inspection system. Adequate controls, standards, and procedures should be established, including safeguards over equipment calibration and maintenance.

*Grading grain.*—The need for improved accuracy and uniformity should be met through continuing research (see p. 70) and training.

*Personnel administration.*—Uniform standards for recruiting, training, and supervising inspection personnel should be established and maintained, and a rotation program and work production standards for inspectors should be established.

*General administration.*—Quick and thorough reviews and investigations of reported discrepancies and abuses should be required.

The provision that superseded certificates be surrendered when repeat inspections are requested should be stringently enforced.

AMS instructions on stowage examinations should be revised to set forth training and performance requirements and to describe all situations where examinations should be required.

Appropriate annotations should be made on inspection certificates for grain loaded at Great Lakes ports stating that such certificates are not valid for transshipped grain.

To the extent practicable grain inspection operations should be open to public scrutiny by foreign buyers or other interested parties.



## USDA COMMENTS AND OUR EVALUATION

### GENERAL COMMENTS

The substance of USDA's comments (see app. VII) on the matters discussed in this chapter is that:

1. Although our recommendations are technically and organizationally feasible to implement, USDA's position is that legislation introduced as H.R. 9467 (see p. 39) will provide for an efficient and the most cost-effective grain inspection system of the alternatives examined by USDA.

2. USDA is moving ahead aggressively in the port areas with all actions necessary to secure and maintain the integrity of the grain inspection system. These actions involve a combination of stricter application of existing regulations and promulgation of additional regulations under existing statutes.

3. One of USDA's most vital needs is for authority to perform original inspections of grain on an interim basis. This need, according to USDA, is based on the fact that actions have been and are being taken to revoke the designations of official inspection agencies for violations of the Grain Standards Act and, because it is not always possible to organize a new official inspection agency or to identify an existing agency to continue inspection service when such actions are taken, USDA must have authority to provide original inspection services on an interim basis, to insure continuity of inspection.

#### *Our evaluation*

USDA top officials reemphasized to us the Administration's desire to maintain the existing basic organizational structure for the national grain inspection system, namely, that USDA should continue to carry out the inspection function through designated agencies, including States, trade associations, and private inspection agencies. Present problems and deficiencies, they maintained, can be corrected through improved administration and the passage of H.R. 9467 which would strengthen conflict-of-interest restrictions, grant USDA certain additional authorities, and impose more stringent penalties.

We recognize that improvements can be made in the operation of the national grain inspection system under the present organizational structure, and USDA is exerting considerable effort in this regard. Additional supervisory personnel are being hired and will be trained, new supervisory procedures are being developed, and USDA officials are working with individual grain firms on affirmative action plans to improve grain-marketing practices. These efforts are both worthwhile and long overdue. We recognize also that the additional authorities being requested by USDA would enhance the possibilities for strengthening the national grain inspection system.

We question, however, whether USDA's present actions or its proposed actions, which must await the enactment of new legislation, will be sufficient to enable it to effectively administer the national grain inspection system in a monitoring role through a diverse complex of State and private agencies and trade associations. As indicated in various subsections of this chapter, there are important inherent limitations and problems involved in USDA's present moni-

toring role that cannot be readily overcome by increased Federal supervision, more extensive regulations, more severe penalties, and more extensive investigational efforts. These problems relate to

- insuring the avoidance of conflicts of interest;
- insuring integrity, competency, and consistency in the sampling, weighing, grading, and stowage examination processes; and
- insuring adequacy and uniformity in personnel administration, including recruiting, training, work standards, supervision, and rotation of inspection personnel.

Our conclusion that the inspection system should be directly controlled and, wherever practicable, operated by the Federal Government is based on the premise that, as a single entity, USDA could best cope with the formidable problem of establishing and maintaining uniformity, consistency, and high standards of performance within the system. USDA officials conceded that, if the present system were not already in place, they would not recreate it in its present form and that, from a management control standpoint, a federally controlled and operated system would be best.

We recognize that USDA may be confronted with many pressures to maintain a comparative status quo in the organizational structure of the national grain inspection system. Those currently involved in the system do not want to lose their agencies and their incomes. There are concerns also about expanding the Federal bureaucracy and the number of Federal employees at the expense of the States and private enterprise, concerns about problems of finding a sufficient number of qualified staff or hiring currently licensed inspectors who subsequently may have to be discharged as a result of expanding criminal investigations, and other varied concerns and problems about dislocations which would be involved in any transition to a Federal system. We believe, however, that too much of the national interest is at stake for continued primary reliance on more formidably written Government regulations and procedures backed up by more Government supervisors and investigators.

The legislative history of the U.S. Grain Standards Act, originally enacted in 1916, shows that many of the same problems that plagued the grain trade 60 years ago still exist. (See app. V.) Reports of various public and private commissions issued before 1916 disclosed that major terminal markets regularly engaged in a variety of unfair business practices, including falsely certifying the grade of grain and mixing and adulterating grain. The reports state that, due to domination of the grain inspection and grading system by boards of trade and purchasers at the terminal markets, farmers and independent shippers were compelled to accept lower grades and less money for their grain and the ultimate foreign buyer and domestic purchasers regularly received a poor quality of grain under a certificate of inspection indicating a higher grade.

The present system with some modifications has been in operation for 60 years and the Administration's proposal would retain many of the fundamental disadvantages and limitations of this system. The deeply entrenched and pervasive problems of the past and present will not, in our opinion, yield easily under this system.

FURTHER COMMENTS AND OUR EVALUATION

*Grain weighing.*—USDA agreed that weight supervision should be provided for in the grain inspection system, but only at port elevators where the quantities shipped are divided into sublots. It said it did not believe that the report adequately supported the recommendation that the weighing system at interior points needed to undergo drastic change or that accurate weights were important in establishing grades at interior points. USDA said that accurate weights were vital, however, in transactions between buyers and sellers.

As indicated on page 39, the Administration's proposal to the Congress to strengthen the national grain inspection system is silent on the matter of weighing. USDA's above stated position—that weight supervision should be provided at port elevators—represents a modification of this original proposal. We believe, however, that grading and weighing of grain should be a coordinated operation and that accurate determinations of grade and weight are highly important in transactions between buyers and sellers whether such transactions occur at port elevators or at inland points.

In asserting that the report did not adequately demonstrate that accurate grain weights were a problem at interior terminals, USDA incorrectly analyzed the data presented on page 22. USDA contended that, because questionnaires were sent to 2,195 country elevator operators, the 339 operators who indicated they were dissatisfied with weights and grades assigned at shipping destinations represented only 15 percent of the total rather than 41 percent. Correct analysis in this circumstance requires that no conclusions be drawn about country elevator operators who did not respond to the questionnaire.

Even if it were correct to conclude that 15 percent rather than 41 percent of country elevators were having problems, we fail to see how USDA can regard this percentage as inconsequential.

*Distinctive inspection certificates.*—USDA agreed that it should issue distinctively colored and worded Federal inspection certificates which are separate and apart from those certificates issued by non-Federal agencies.

*Reimbursable costs.*—USDA agreed in principle with our recommendation that inspection services be provided on a reimbursable basis. USDA said, however, that its position was that there were certain indirect costs of a public benefit nature that should be financed from appropriated funds, including (1) basic research, (2) general public information, (3) monitoring inspection accuracy in foreign ports, and (4) certain administrative costs. USDA said it believed that a percentage of such costs should be funded through appropriations. Costs which USDA considered reimbursable included (1) direct supervision of Federal employees at the field office level, (2) direct supervision of official inspection and weighing agency personnel, and (3) appeal activities.

*Conflicts of interest.*—USDA said that, pending legislation, it proposed to amend its regulations to prohibit conflicts of interest, subject to statutory limitations. Additional controls on conflicts of interest, it said, would be considered in developing affirmative action programs with individual grain firms.

*Sampling grain.*—USDA agreed that adequate controls, procedures, and safeguards should be established over the sampling process, in-

DOCUMENT AVAILABLE

cluding equipment operation and maintenance. However, it said it believed that feasibility studies should be made before USDA mandates the use of additional automated equipment.

*Grading grain.*—USDA said it planned to consider a long-term program of research and training to provide a balanced technical, statistical, and economic data base and an equipment development and testing program. Consideration would also be given, it said, to applying appropriate resources to this effort.

*Personnel administration.*—USDA agreed that uniform standards for training of non-Federal inspection personnel were essential and that a rotation program and standards of work for such personnel should be established. USDA said it did not believe that uniform standards for recruiting non-Federal personnel were feasible because of local hiring conditions, labor unions, and State civil service regulations; however, competency tests were given before licensing. USDA said that official inspection agencies should be fully responsible for setting their own recruiting standards, training their personnel to pass the required USDA competency tests and qualify as technicians, and maintaining inspectors' proficiency through an aggressive training program once the inspectors are licensed.

*General administration.*—USDA agreed that:

- Quick and thorough reviews and investigations of reported discrepancies and abuses should be required.
- The provision that superseded certificates be surrendered when repeat inspections are requested should be more stringently enforced. It said that recent additional appropriations to add Federal supervisory personnel would permit enforcement of this regulation throughout the system.
- Instructions on stowage examinations need to be improved. It said it was reviewing the need to revise and strengthen the instructions regarding training and performance requirements for such examinations.
- Inspection certificates for grain loaded from Great Lakes ports should be qualified. It said that amendments to the regulations under the Grain Standards Act to provide for such statements were being developed.
- The inspection system should be open to public scrutiny by any interested parties, provided that certain information, such as documents (certificates of grade, loading logs, etc.) pertaining to private transactions, were released only to real parties in interest. It noted that, under its existing regulations on conflicts of interest, entry by the trade into grain inspection laboratories was prohibited because of the possible pressure that might be exerted on those inspectors making grade determinations.

#### VIEWS OF STATE OFFICIALS AND OUR EVALUATION

We asked State department of agriculture officials in the 23 States having designated inspection agencies for their views on various matters relating to the grain inspection system, including the possible transfer of all inspection responsibilities to a Federal agency. All the 20 officials who responded were generally opposed to a total Federal inspection service. A summary of their pertinent views follows.

- Nearly all the officials cited their States' favorable records of service. Many of the States had provided inspection services for many years, some for over 50 years. Services were usually initiated because specific inspection needs were unmet by either Federal or private sources.
- Officials of 14 States said their agencies inspected grains or other products or provided other types of services that were not covered under the Grain Standards Act. Other items inspected included sunflower, safflower, and mustard seeds; alfalfa and cottonseed pellets; rice; pulses; hay; buckwheat; millet; and hops. Several States provided weighing services or had laboratory facilities for analyzing protein content. One had facilities for analyzing pesticide residues, heavy metals, or undesirable additives, and one provided a service for grading samples mailed to a laboratory.
- Officials of 11 States believed that a total Federal system would be more expensive. Some said their States operated small agencies consisting of part-time services that could be efficiently provided by combining them with inspections of other food items.
- Other factors officials cited for objecting to a total Federal system were the loss of an independent source for filing appeals, excessive Federal regulation, and curtailment of services in remote areas.

All the responding officials said or indicated that it was appropriate for States to provide inspection services under the Grain Standards Act, and all preferred a Federal-State system to a total Federal system.

We agree that many of the States have favorable records of service. Under our proposal, State agencies could continue to be designated to provide inspection services at certain elevators. Also, according to AMS officials, many of the inspection services State officials cited are available and are being provided either by or in cooperation with AMS under authority of the Agricultural Marketing Act.

The fact that the States generally pay lower salaries than the Federal Government does may account for the States contention that a Federal system would be more expensive. As stated on pages 41 and 42, however, we believe certain efficiencies and economies can be realized under a federally operated system. Also, we would expect little change in the operations of those States with small agencies providing part-time inspection services since, under our proposal, Federal inspection would be provided mainly at high-volume elevators requiring full-time inspection services. We believe that an appeal procedure adequate for those using the inspection service can be developed. AMS has been able to provide appeal services for such other Federal programs as rice inspection and meat grading.

IRREGULARITIES OR IMPROPRIETIES  
DISCUSSED IN REPORT AND OTHER  
DEFICIENCIES OR SITUATIONS WHICH  
COULD LEAD TO DEFICIENCIES  
(BY AMS FIELD OFFICE CIRCUIT)

BEAUMONT, TEXAS

Inspection agency--Trade group

Inspection points--Port Arthur (P) and Beaumont  
(B), Texas

- A. Irregularities or improprieties discussed in report
1. Appeal error rate--15%; supervision error rate--7% (circuit)
  2. Licensed inspectors sometimes selected samples for AMS supervisory grading. (circuit)
- B. Other deficiencies or situations which could lead to deficiencies
1. Elevator used Woodside samplers for export grain. A Woodside sampler may not provide a representative grain sample because (a) the sampling cups can be adjusted to fill with grain from various positions on the belt and (b) the volume of grain taken as a sample is not directly proportional to the volume of grain moved by the belt. As of November 1, 1975, all elevators were supposed to be equipped with mechanical diverter samplers to sample export grain. The AMS supervisor said that this elevator would probably be granted an extension beyond the November 1 deadline. (B)
  2. No controls existed to prevent elevators from loading grain aboard ships in the absence of licensed inspectors except for the fact that longshoremen would have to be present. The inspection agency's general manager believed that, if longshoremen were required to work, the agency personnel would be aware of it. (B,P)
  3. An AMS supervisor said it would have been possible for elevators to load more offgrade grain than was

allowed by the shipping plan (10 percent in this case) because the licensed inspectors relied on elevator personnel for information on subplot sizes. This could have happened if the elevator varied the subplot sizes with different grades of grain but told the licensed inspectors that all sublots were the same size. (B,P)

4. Of the ship stowage examinations supervised by AMS during fiscal year 1975, 85 percent were performed at the same time the licensed inspector was making his examination, according to the AMS field office supervisor. This method of supervision would normally not identify those cases where inspectors otherwise might pass unfit ships for loading grain as was brought out in the New Orleans indictments. (B,P)
5. As of September 1975, export grain leaving an elevator was being sampled with a pelican (manual) sampler as the grain flowed from the elevator's grain spout into the shipholds. The elevator was installing mechanical diverter samplers which were supposed to be in operation by November 1, 1975. (P)

CHICAGO, ILLINOIS

Inspection agency--Trade group

A. Irregularities or improprieties discussed in report

NOTE: Information reported by USDA's Office of Audit.

1. Licensed inspectors and AMS supervisors did not always test mechanical samplers in accordance with instructions.
2. AMS action taken to revoke licenses.

B. Other deficiencies or situations which could lead to deficiencies

NOTE: This circuit not selected for detailed review.

DES MOINES, IOWA

Inspection agencies--2 private, 1 trade group

Inspection points--Various

A. Irregularities or improprieties discussed in report

1. Apparent conflict-of-interest situation.  
(Des Moines)
2. Appeal error rate--23%; supervision error rate--17%. (circuit)
3. AMS supervisors not able to deal effectively with deficiencies of inspection personnel.  
(circuit)
4. Inspector's salary or income more than \$30,000.  
(Des Moines)

B. Other deficiencies or situations which could lead to deficiencies

1. The inspection lab of a private inspection agency was located on the premises of a major applicant for inspection. The agency paid the applicant \$1.00 a month for space rental; utilities were provided without charge. (Belmond, Ia.)
2. Many inspections in this circuit were based on warehousemen's samples. Warehouseman samplers, although officially licensed by USDA under the U.S. Grain Standards Act, are employees of the grain elevators. All samples must be obtained by mechanical diverter samplers. The warehouseman is responsible for collecting samples from the diverter sampler, handling the sample, and submitting it to an official agency for inspection. The warehouseman inspection service was established as a self-policing activity with no active supervision by AMS; therefore, there is no assurance that the samples submitted are representative.  
(circuit)
3. At locations other than export, the applicant for inspection generally can dictate the sampling method. In cases where a lot is offered for inspection after loading, sampling must be



performed by probe. This affords an opportunity for deceptive loading of the conveyance. The following are examples of grade differences which, according to AMS files, apparently resulted from deceptive loadings.

Date	Origin		Destination		AMS grade (note a)
	Location	Grade	Location	Grade	
3/75	Garwin, Iowa	#1 yellow soybeans	Iowa Falls, Iowa	#3 yellow soybeans	#3 yellow soybeans
3/75	Garwin, Iowa	#1 yellow soybeans	Iowa Falls, Iowa	#4 yellow soybeans	#4 yellow soybeans
11/74	Gibson, Iowa	#2 hard winter wheat	Des Moines, Iowa	#3 hard winter wheat, weevily	70%-#3 hard winter wheat, weevily 30%-sample grade mixed grain, weevily

a/ Determined at destination.

In another case of apparent deceptive loading, an inspector found that one corner of a truck contained sample grade yellow soybeans representing 14% of the load, while the rest of the truck contained much higher grade yellow soybeans. AMS found the same situation during its inspection of the lot.

4. Unlike samples needed for an "official (white) certificate" which must be inspected and graded by the agency designated to service the loadout point, warehouseman samples may be submitted to any official inspection agency for official inspections. Shippers often submit samples from the same lot to more than one inspection agency and select the most desirable grade. This practice is commonly referred to as "shopping for grade." Following are GAO's comparisons of the different grades assigned to individual railcars by two private inspection agencies in Iowa on identical outbound unit-train corn shipments.

Grade Number	Number of cars			
	Unit train no. 1		Unit train no. 2	
	Fort Dodge	Belmond	Fort Dodge	Belmond
2	6	13	6	13
3	24	26	25	28
4	20	11	16	8
5	<u>0</u>	<u>0</u>	<u>3</u>	<u>1</u>
Total	<u>50</u>	<u>50</u>	<u>50</u>	<u>50</u>

Unit train number 2 in the example above was appealed which permitted the following comparison of inspection agency and AMS appeal grades.

Appeal inspection results	Number of cars	
	Fort Dodge	Belmond
Cars with no grade difference	41	24
Cars upgraded	1	0
Cars downgraded	<u>8</u>	<u>26</u>
Total	<u>50</u>	<u>50</u>

During subsequent supervision of 2 outbound unit trains of grain inspected by one of the above inspection agencies, AMS found the following.

AMS results	Number of cars
Cars with no grade difference	24
Cars with grade higher than grade assigned	1
Cars with grade lower than grade assigned	<u>21</u>
Total	<u>46</u>

The AMS field office wrote to the inspection agency, strongly inferring that the agency was purposely grading leniently to attract the elevator's business and requested an explanation. The field office also forwarded a copy of the letter to AMS headquarters. An AMS supervisor told GAO that neither the agency nor AMS headquarters responded.

5. Warehousemen's samples may be submitted to any official inspection agency. This not only affords shippers an opportunity to "shop for grade" but also places the inspection agencies in a competitive position. One agency complained to GAO about losing two major accounts within its officially designated inspection area to another agency which was grading leniently to obtain more business. Warehousemen's barge samples from Muscatine, Iowa (Cedar Rapids AMS circuit), were being submitted to an inspection agency in the Des Moines AMS circuit for official inspection. Also, samples from Minnesota locations (Minneapolis AMS circuit) were being submitted to an inspection agency in Belmond, Iowa (Des Moines AMS circuit) for inspection.

DULUTH, MINNESOTA

Inspection agencies--2 State

Inspection points--Duluth (D), Minn., and Superior (S), Wis.

A. Irregularities or improprieties discussed in report

1. Controls of automatic sampling devices accessible to elevator personnel. (D)
2. Sampled grain could be diverted and returned to storage bins. (D,S)
3. Remote control switch could permit operation of conveyor belt to load grain without being sampled. (S)
4. Belts could be emptied in separate holds although samples from each were combined for grading. (D,S)
5. Samplers used 6-foot rather than prescribed 12-foot probes. (D)

6. Elevator personnel able to observe manual sampling at two or more spouts by one sampler. (D,S)
7. By varying flow of grain through two or more spouts from which combined samples are graded, elevator can influence sample representativeness. (D,S)
8. Sample inspection or storage room left open and unattended during lunch and after close of business. (D)
9. Badly worn sampling equipment and samples hand carried to inspection room. (S)
10. Elevators ordered AMS supervisors to provide notice of their visits. (D,S)
11. Appeal error rate--34%; supervision error rate--10%. (circuit)
12. Examples of uncorrected original certificates for wheat. (D,S)
13. Superseded certificates not surrendered in nearly half the cases reviewed. (D)
14. Deck-level rather than in-hold stowage examinations. (D,S)
15. Allegation that grain firms requested appeal inspections to purposely overload AMS supervisors. (D)
16. Infrequent use of corrective action reports. (circuit)
17. Case of deficient inspector not handled promptly by AMS. (D)

B. Other deficiencies or situations which could lead to deficiencies

1. The official grain sampler had to leave his station where grain was accumulated from the mechanical sampler to bring such grain to the inspection office. The room where the grain was accumulated was readily accessible to others. While the sampler was away, grain that was accumulating could be tampered with. (D,S)

2. An unlocked, unattended vehicle of the inspection division contained official grain samples that were to be taken to the division's office for inspection. The vehicle was parked in the railroad yard and was accessible to anyone. (D)
3. At one elevator, composite samples were combined in relative darkness although good lighting is essential for such work because the samples are to be visually checked for uniformity before being combined. (S)
4. Supervision of grain weighing was done by a board of trade. Stockholders were mainly grain companies. (D)
5. The chief weighmaster suggested that the Federal Government develop distinct guidelines on weighing supervision. He did not think that an existing trade guideline was adequate. (D)
6. A sampler used a pelican (manual) sampling device to obtain samples of grain pouring from spouts into ship holds. The sampler did not cut through the entire stream of grain as he should have but instead obtained the sample only from the front of the flow. Also, the sampler frequently spilled some of the sample drawn before it was placed in the bucket. (S)
7. Grain samples taken by probe on a truck were placed in a metal trough having sides to protect the probed grain from the wind. The samplers dropped the probed grain one or two feet into the trough rather than placing the probe in the trough to discharge the grain. The wind, consequently, blew away some of the grain dockage. (S)
8. Official grain samplers did not always check samples for infestation or odor. (S)
9. A diverter sampler was set at a 40-second interval for a flow of 25,000 bushels an hour. For obtaining a representative sample at this rate of flow, however, the diverter should have been set at a 28-second interval. (S)

10. A diverter sampler was installed above the scale where the grain would be weighed before flowing to a shipping spout. This arrangement could permit lower grade grain to be blended in through a duct located below the scale and leading to the shipping spout. (S)
11. The inspection agency used elevator-identified bags for sending grain samples to the AMS field office for appeal or supervision purposes. The inspection agency purportedly did not have enough of its own-identified bags. Such use of an elevator's bags could encourage substitution of samples. (S)
12. The grain inspector recorded grading factors for individual samples on a card which was then loaned to the elevator for billing purposes. When the cards were returned, the inspection office used them for transcribing the factors to the official grading certificate. (S)
13. A thermometer, used in connection with determining the moisture content of grain, was defective. The alcohol column was separated by an air pocket. The inspector-in-charge agreed that the thermometer was faulty and said that he would replace it. (S)
14. The inspection agency hung samples of infested grain on a door knob that was near the elevator's office. Such a situation could encourage substitution of samples. The bags are normally transferred to the agency's main office for storage pending reinspection or appeal. (S)
15. An inspector could not identify the larva stage of a meal moth which is injurious to grain. He mistook, as weed seeds, the cocoons that the larvae were making. (S)
16. A stowage examiner said that he had no prescribed guidelines or instructions for stowage examinations. He learned what to look for "on the job" and had no formalized training. (S)
17. A stowage examiner may be subject to a great deal of pressure by the elevator superintendent, ship captain, or others if he withholds approval

of the vessel, because delays in loading can be costly. In one case GAO observed, several people followed the stowage examiner complaining about the delay. (S)

18. The official inspection agency was also the weight supervision agency at several elevators. The chief supervisor said that he did not rotate the weight supervisors because all of them had been with the agency for years and that, consequently, they knew all of the elevator personnel. He said that he could do a better job by assigning certain supervisors to certain elevators because they could withstand pressure from elevator personnel better than others. He also said that he did weighing for one of the elevators when the elevator's weighers were on sick leave. (S)
19. Some incoming grain at an elevator was not weighed because a receiving leg carrying grain to the scale was leaking. (S)
20. Elevators provided the inspection agency with rent-free space. (S)

FORT WORTH, TEXAS

Inspection agency--Private

A. Irregularities or improprieties discussed in report

NOTE: Information reported by USDA's Office of Audit or taken from USDA records.

1. AMS supervisors spent 90% of their time in the office rather than onsite.
2. Less than 30% of available AMS staff time used for supervision in FY 1975. (circuit)

B. Other deficiencies or situations which could lead to deficiencies

NOTE: This circuit not selected for detailed review.

GRAND FORKS, NORTH DAKOTA

Inspection agencies--4 private

Inspection points--Aberdeen (A), S. Dak., and  
Fargo (F), Grand Forks (G), and Jamestown  
(J), N. Dak.

A. Irregularities or improprieties discussed in report

1. Elevator personnel had access to samples and inspection equipment after close of business. (G)
2. Appeal error rate--30%; supervision error rate--24%. (circuit)
3. Private inspector salary or income more than \$30,000. (A,G)

B. Other deficiencies or situations which could lead to deficiencies

1. A private grain inspection agency was owned by 10 stockholders. One of the stockholders (vice-president of the agency) was the general manager of a wheat growers association which was a major applicant for inspection by the agency. Three other officers of the agency, who were also stockholders, owned or were employed by grain and seed companies or a grain elevator. (A)
2. The laboratory of a private grain inspection agency was located on the premises of a flour mill which was an applicant for inspection by the agency. Prior to July 1975, the space was provided to the agency without charge. Since that time, AMS has required the agency to pay rent for the space provided. (G)
3. In 1967 a private inspection agency began leasing mechanical diverter samplers to elevators in the area. The 1968 amendments to the U.S. Grain Standards Act, however, prohibited this type of activity. In March 1975 AMS directed the agency to dispose of its diverter samplers. During a GAO interview with the agency's manager/chief inspector in October 1975, he questioned AMS's authority and



said the agency had no plans to dispose of the samplers as directed by AMS because of the potential financial loss on a forced sale.

4. Most inspections in the circuit were based on submitted samples. Submitted samples may be obtained by anyone--licensed or unlicensed by AMS. The inspection results (grade), however, apply only to the submitted sample and not to the lot from which it may have been taken. This qualification is clearly indicated on the certificate. Because AMS has no control over the obtaining of submitted samples, it has no assurance that a submitted sample was obtained in the proper manner or that it relates to the lot from which it was to have been taken. Following are examples of variances in grades on submitted samples of wheat.

<u>Origin</u>		<u>Destination</u>		AMS appeal grade (note a)
<u>Location</u>	<u>Grade</u>	<u>Location</u>	<u>Grade</u>	
Fargo, N.D.	#2 northern spring, 0.5% dockage	Superior, Wis.	#4 dark northern spring, 5.5% dockage, contrasting class--5%	-
Grand Forks, N.D.	#1 heavy, dark northern spring	Superior, Wis.	#2 northern spring, tough, 3% dockage	#2 northern spring, tough, 3% dockage
Dickinson, N.D.	#1 heavy, hard amber durum, 0.5% dockage	Superior, Wis.	Sample grade, mixed wheat, musty, 4.5% dockage	Sample grade, mixed wheat, musty, 4.5% dockage
Dickinson, N.D.	#1 heavy, hard amber durum	Superior, Wis.	#4 hard amber durum, contrasting class--7.7%	#4 hard amber durum, 4% dockage, contrasting class--7.7%

a/ Determined at destination.

The AMS field office said the grade variances apparently resulted from deceptive loadings and the samples submitted were not representative of the lots.

5. Another example of grade variances on submitted samples involved a shipment of barley originating at Bottineau, North Dakota. The inspection certificates involved showed the following variations in the shipment's grade at three different locations.

<u>Inspection point</u>	<u>Date of inspection</u>	<u>Type of sample</u>	<u>Grade</u>
Minot, N.D.	9/4/75	Submitted by shipper	#2 malting barley, tough, 2% dockage, 5.7% broken kernels
Grand Forks, N.D.	9/8/75	Sampled by official agency	#2 barley, 1% dockage, 9.8% broken kernels
Fargo, N.D.	9/15/75	Submitted by buyer	#5 barley, 4% dockage, injured by heat, 9% damaged kernels

As shown above, the sample drawn by the official agency in Grand Forks tended to confirm the grade determined on the basis of the sample submitted by the shipper. The sales transaction was based, however, on the grade determined at Fargo. After receiving a complaint from the shipper, AMS regraded (supervision) the file samples from Minot and Fargo. AMS came up with the same results as the original inspection on the Minot file sample. AMS's regrading of the Fargo file sample showed that the barley was sample grade rather than number 5.

The AMS field office supervisor told GAO that intransit damage of the type indicated by the Fargo sample could not have occurred in the time involved. Although he did not suspect intentional misgrading, he indicated that the only plausible explanation was that the Fargo sample was a false sample or that it had been tampered with. Because the sales transaction was based on the grade determined at Fargo, the seller suffered the financial consequences of the grading variations.

6. The circuit was greatly understaffed with only two agricultural commodity graders, including the field office supervisor. The circuit includes all of North Dakota and most of South Dakota. In addition to its Grain Standards Act responsibilities, the AMS field office performs original inspections of pinto beans. The field office staff told GAO that, because of the shortage of staff, the large geographical area covered, and the pinto bean inspection workload, it was virtually impossible for them to properly supervise licensed samplers scattered throughout the circuit. They cited an example of one supervisory trip of 1,000 to 1,500 miles during which they were unable to locate a licensed sampler to supervise. (circuit)
7. Official inspection agencies are required to furnish a current schedule of inspection fees to AMS. At the time of GAO's review, only two of the five inspection agencies in the circuit had complied with this requirement. (circuit)
8. Preferential inspection fees were being offered to certain grain companies or applicants by three of the five private inspection agencies in the circuit. The locations and preferred fees were as follows for two of the agencies.

<u>Location</u>	<u>Minimum volume</u>	<u>Preferred fee per sample</u>	<u>Normal fee per sample</u>
Jamestown, N.D.	None	\$3.50	\$4.00
Grand Forks, N.D.	None	\$3.50 or \$4.00	\$8.50

In addition, the fee schedules submitted to AMS by a third agency (Aberdeen) did not show that the agency charged various sampling fees ranging from \$4 to \$6, depending on the location of the elevator and the frequency of requests for inspection.

9. In 1966 one of the inspection agencies was purchased by the person who was chief inspector at the time of our review, without proper notification of or approval by AMS. (G)
10. Supervision of warehouseman samplers in the circuit is the responsibility of the inspection agencies. Three of the four inspection agencies contacted said that they provided no supervision of warehouseman sampler activities. These agencies admitted that they had no assurance that the samplers were properly performing sampling operations. The fourth agency supervised samplers once a year in connection with checktesting the mechanical samplers.

HOUSTON, TEXAS

Inspection agencies--3 trade groups

Inspection points--Houston (H), Brownsville (B), Channelview (C), Corpus Christi (CC), Galveston (G), and Galena Park (GP), Texas

A. Irregularities or improprieties discussed in report

1. Apparent conflict-of-interest situation. (H)
2. Diversion devices existed. (H)
3. Belts could be emptied into separate holds although samples from each were combined for grading. (H)
4. Licensed inspectors sometimes selected samples for AMS supervisory grading. (H)
5. Appeal error rate--10%; supervision error rate--8%. (circuit)
6. Examples of uncorrected original certificates for wheat. (C,CC)

7. Stowage examination supervision not as extensive as conditions seemed to warrant. (circuit)
  8. Sampling equipment and samples accessible to elevator personnel. (H,CC)
  9. Licensed inspectors and AMS supervisors did not always (1) verify stowage locations or (2) test mechanical samplers according to instructions. (H)
  10. AMS action taken to suspend licenses. (CC,G,H)
  11. Infrequent use of corrective action reports. (circuit)
  12. Federal investigation disclosed cases of improper weighing. (G)
  13. Company policy to shortweigh outbound ships. (G)
- B. Other deficiencies or situations which could lead to deficiencies
1. In some instances, AMS supervisors had found errors in the grades assigned by licensed inspectors. In one case, over 1 million bushels of wheat, graded number 2, were shipped to a foreign buyer. An AMS field office supervisor subsequently determined that this wheat should have been graded number 3. (H)
  2. At one export elevator, one of the mechanical samplers used to sample grain loaded onto vessels had not been approved by AMS. This sampler had been in use for about a year. Although an inspection agency is required to make 90-day checktests of mechanical samplers and submit sampler condition reports to AMS, no checktests had been made on this sampler during this time, according to AMS records. An AMS official said that there was no way of knowing whether or not the samples of grain collected by this sampler were representative of the grain loaded during the period it had been in use. (H)
  3. As of September 1975, one elevator was using Johnson mechanical samplers to sample export grain.

USDA regulations required that all mechanical samplers used to sample export grain be replaced with mechanical diverter samplers by November 1, 1975. USDA granted this elevator an extension until May 1, 1976, to install diverter samplers. (H)

4. According to the chief inspector, it would have been possible to load grain aboard ships during the absence of inspection personnel at three elevators. (H)
5. Elevators provided the inspection agency laboratory space free of charge. (H,CC)
6. As of August 1975, independent weight supervision was not being performed on grain from incoming trucks or export grain loaded aboard ship at some elevators. (H,CC)
7. Of the 1,000 shares of stock issued by the inspection agency, at least 190 were owned by grain elevators or grain companies, including 20 shares owned by the 2 elevators served by the agency. All 9 members of the board of directors which ran the agency were directly involved in the grain business. In addition, the agency employed one sampler whose father worked for one of the elevators served by the agency. AMS did not consider this a conflict of interest because the son was not living at home. (CC)
8. In a September 21, 1973, letter to the chief inspector, an AMS supervisor outlined incorrect sampling procedures he had observed being used. The procedures included
  - truck tarps not being pulled back far enough for all of the grain to be accessible for sampling,
  - samplers not visually examining the contents of the probe sampler prior to emptying the grain into a sample bag,
  - samplers not initialing sample tickets, and
  - samplers not marking the tickets "Bottom not sampled" when they did not probe the bottom of the load. (CC,B)

9. No controls existed at two elevators to prevent the loading of grain into ships in the absence of licensed inspectors. Also, at one elevator, shipping bins were left full of sampled grain at the end of a workday without controls to prevent the elevator from substituting a different quality grain for the sampled grain. In August 1975, the inspection agency said it had begun using seals on the shipping bins. (CC)
10. In November 1973, an inspector graded about 872,000 bushels of wheat and issued an export certificate showing that it was number 2, hard winter wheat. During a subsequent supervisory visit, AMS regraded the samples and found that three sublots, totaling about 120,000 bushels, should have been graded as number 3 heavy, hard winter wheat. (CC)
11. AMS usually notified the chief inspector before making supervisory visits to elevators. This was done because AMS did not want to send a supervisor from the field office when there was no activity. (CC,B)
12. On a visit to an elevator, an AMS supervisor and GAO personnel observed two samplers probing trucks incorrectly. One sampler was opening the probe before fully inserting it into the grain. The other sampler was not probing close enough to the center of the load. One of the samplers said he had been employed for about 2 weeks and had received only 1 hour of training from another sampler. (CC)

KANSAS CITY, MISSOURI

Inspection agency--State

A. Irregularities or improprieties discussed in report

NOTE: Information from USDA or other Federal records.

1. Individual indicted for improper weighing was located in Kansas City.
2. Less than 30% of available AMS staff time in FY 1975 spent on supervision. (circuit)

B. Other deficiencies or situations which could lead to deficiencies

NOTE: This circuit was not selected for detailed review of inspection activities but was visited to review weighing operations. The following situation was noted at Topeka.

1. Security was not being maintained over the official weighing certificates. They were left in the open within easy access to anyone in the grain elevators. In addition, the certificates were not prenumbered so that State inspection personnel would know if any certificates were missing.

MINNEAPOLIS, MINNESOTA

Inspection agency--State

Inspection points--Minneapolis (M), St. Paul (P), Savage (Sa), and Shakopee (Sh), Minn.

A. Irregularities or improprieties discussed in report

1. Ability to adjust automatic sampling devices. (P,Sa,Sh)
2. Speed of conveyor belt could be adjusted. (P,Sa,Sh)
3. Sampled grain could be diverted back to storage bin. (P)
4. Appeal error rate--34%; supervision error rate--15%. (circuit)
5. Example of uncorrected original certificate for wheat. (M)
6. No superseded certificates from 3/27-7/25/75 barge shipments surrendered. (circuit)
7. AMS supervisors not able to deal effectively with deficiencies of inspection personnel. (circuit)



B. Other deficiencies or situations which could lead to deficiencies

1. A grain firm used its barges to transport coal on the backhaul. These barges were loaded with grain before inspection was requested, thus precluding an adequate stowage examination to insure that the barge had been cleaned. The AMS field office issued a warning letter to the grain shipper threatening suspension of inspection services and stating that grain in a loaded barge, in which the sampler observed coal in the grain or on beams or other parts of the barge, would be considered as contaminated and would be graded as sample grade. (M)
2. The inspection agency was responsible for supervising warehouseman samplers licensed under regulations of the U.S. Grain Standards Act. The agency's chief inspector said that he was not aware of such supervisory responsibility. (circuit)
3. A terminal elevator was able to move grain from two sources onto one belt for final loading. Grain from each source was sampled by an individual mechanical diverter immediately before dropping onto the belt. Each sampler operated independently of the other and it was possible for the grain to flow without the samplers being activated. The inspection agency acknowledged that unsampled grain from one source could be loaded out along with sampled grain from the other source without the licensed sampler's knowledge. (Sa)
4. At a terminal elevator the inspection laboratory was located in a separate building. Inspection personnel said that they could detect, by hearing, if the mechanical diverter sampler, located in the elevator structure, was turned off while grain was moving. They said that the sweeping action of the diverter sampler emitted a familiar noise. They acknowledged, however, that the timing of the diverter, the controls of which were located in the elevator structure, could be changed without their knowledge. (Sh)

5. Information in AMS files showed considerable reductions in grade on shipments of corn between areas. As shown in the following table, most of the corn shipped in 71 cars from four Midwest points to Alabama was graded 3 and 4 grades lower than the grades at origin locations. None of the cars of grain retained the origin grade or increased in grade.

<u>Grade decline</u>	<u>Number of cars</u>
1	3
2	11
3	47
4	<u>10</u>
Total	<u><u>71</u></u>

6. In addition to their responsibilities for supervising warehouseman samplers, official inspection agencies are responsible for checktesting the approved diverter samplers used under the warehouseman sample certificate. The agencies are required to schedule and make a minimum of two review visits a year to each sampling site to determine whether the mechanical sampler is operating in an approved manner. They must prepare written summaries of the review visits. In February 1975, AMS wrote to the State inspection agency criticizing it for being behind in required checktesting. AMS said that there were a minimum of 22 mechanical samplers that were significantly overdue for checktesting and that more would be due before the end of the month. The chief inspector told GAO that he found the task overbearing and impossible, so he delegated it to his samplers and laboratory site supervisors.

7. The State agency's chief inspector told GAO that, due to the diversity of sampling methods used in the area, his agency could not adequately train samplers within the 2 weeks prescribed by AMS. He said that it takes his agency 4 to 6 months to train an individual in all phases of sampling.

MOBILE, ALABAMA

Inspection agency--State

A. Irregularities or improprieties discussed in report

NOTE: Information from USDA records.

1. Less than 30% of available AMS staff time in FY 1975 spent on supervision. (circuit)

B. Other deficiencies or situations which could lead to deficiencies

NOTE: This circuit not selected for detailed review.

MONTREAL, CANADA

Inspection agency--USDA (AMS)

A. Irregularities or improprieties discussed in report

1. Transshipped grain not required to be regraded although it may be commingled.
2. Allegation that normal elevator practice is to screen some corn and blend screenings with "western grade" shipments.

B. Other deficiencies or situations which could lead to deficiencies

NOTE: Only limited review made in this circuit.

NEW ORLEANS, LOUISIANA

Inspection agencies--1 State, 4 trade groups

Inspection points--Ama (A), Destrehan (D), Myrtle Grove (M), New Orleans (O), Port Allen (P), Reserve (R), and Westwego (W), La.

A. Irregularities or improprieties discussed in report

1. Ability to adjust conveyor belt speed. (D)
2. Ability to divert sampled grain back to storage bins. (D,A)

3. Remote control devices allowed drawing of biased samples or circumventing of acceptable sampling practices. Several guilty pleas. (D)
  4. Sample inspection or storage rooms not sealed to detect unauthorized entry. (various)
  5. Federal investigations disclosed improper weighing. (D)
  6. Company policy to shortweigh outbound ships. (D)
  7. Appeal error rate--26%; supervision error rate--11%. (circuit)
  8. Bribes taken in connection with stowage examinations. (D,M)
  9. Some appeal inspections made before licensed inspectors made their stowage examinations. (A)
  10. Licensed inspector used AMS appeal results as his own. (A)
  11. Licensed inspector at same elevator as long as 15 years. (W,N)
  12. Less than 30% of available AMS staff time in FY 1975 spent on supervision. (circuit)
  13. Allegation that grain firms requested appeal inspections to overload AMS supervisors. (D)
  14. Instructions needed to prevent shipping of undetected infested grain.
  15. Licensed inspectors and AMS supervisors did not always (1) verify stowage location or (2) test mechanical samplers according to instructions.
  16. AMS action taken to suspend or revoke licenses.
- B. Other deficiencies or situations which could lead to deficiencies
1. When AMS personnel visited elevator, guard at gate notified elevator personnel. While AMS personnel were in the elevator, inspection agency and elevator personnel informed each other of the whereabouts of the AMS personnel.

2. One elevator insisted that one of its employees accompany AMS personnel at all times; another had television cameras at key locations.
3. Field office was understaffed, according to the field office supervisor, and could not meet its supervision schedules primarily because of appeal inspections.
4. Field office had reported irregularities and/or requested investigations on three of the five inspection agencies from July 1972 to the time of GAO's review. The irregularities included: improper sampling, switching samples, false certification of grain quality, and improper stowage examinations or falsification of stowage examination results.
5. Woodside sampler was being used at one elevator because its diverter sampler was damaged and had not been repaired. A Woodside sampler may not provide a representative grain sample because (a) the sampling cups can be adjusted to fill with grain from various positions on the belt and (b) the volume of grain taken as a sample is not directly proportional to the volume of grain moved by the belt.
6. The sampling frequency of one diverter sampler under the lower garner at one elevator was not set in accordance with AMS instructions. The setting was based on the maximum flow rate for the shipping belts, while the flow rate from the lower garner was almost double the shipping belt rate. After GAO's discussion with field office officials, the diverter was set in compliance with AMS instructions.
7. Some elevators had the capability to inject grain which had not been sampled for export into the stream of grain which had been sampled.
8. Some elevators, when licensed inspectors were absent, could substitute unsampled for sampled grain in the shipping bins or load unsampled grain directly onto ships.
9. AMS-prescribed procedures for grading wheat were not followed in one case GAO observed. Although the licensed inspector was to inspect an additional quantity of wheat because the initial quantity he

had inspected was not within the prescribed class limits, he did not do so.

10. At one inspection agency, grain elevators' representatives served as directors (3 of 41 directors) and were on the grain inspection committee.
11. Official inspection of incoming grain is not mandatory but, since a fee is charged for each inspection, grain elevators can exert some influence on inspection agencies' incomes by requesting or not requesting them to inspect incoming grain.
12. USDA letter dated March 27, 1974, to one chief inspector specified instances where AMS personnel were detecting off-grade grain which the licensed inspection personnel had not identified. The letter said that AMS could see a pattern forming on this matter.
13. Letter of August 23, 1974, from field office to AMS headquarters said that one inspection agency's samplers feared losing their jobs if they didn't conform to elevator's wishes.
14. AMS investigation report dated December 5, 1973, quoted an inspector and a former inspector as saying that off-grade grain identified during inspection was loaded on ships and inspection logs were adjusted to reflect the contract grade. The former inspector also said that file samples were prepared to approximate adjusted results and that licensed inspectors were directed to use the irregular procedures.
15. When grain was being loaded directly from barges to ships via a "floating rig," weights were supervised only upon request. The weighers for the two floating rigs GAO observed in operation did not have a State or Federal license to weigh grain. The scales on one floating rig were calibrated to show weights 1 percent higher than actual when GAO began its observation; they were later adjusted to show actual weights.
16. Weight supervision control weaknesses existed at each elevator visited. The weaknesses included inadequate observation of operations to insure that grain weighed for export was not being returned to

storage and/or lack of security over key consoles and electrical components which created weight tapes.

PEORIA, ILLINOIS

Inspection agencies--3 private, 1 trade group

Inspection points--Bloomington (B), Champaign (C), Danville (Da), Decatur (De), and other locations in Illinois.

A. Irregularities or improprieties discussed in report

1. Apparent conflict-of-interest situation. (Peoria)
2. Appeal error rate--19%; supervision error rate--15%. (circuit)
3. Inspectors averaged over 100 inspections a day over a 1-month period. (De)
4. Less than 30% of available AMS staff time in FY 1975 spent on supervision. (circuit)
5. AMS supervisors not able to deal effectively with deficiencies of inspection personnel. (circuit)
6. Inspector salary or income more than \$30,000. (C, Da)

B. Other deficiencies or situations which could lead to deficiencies

1. In addition to his regular duties, the chief inspector of a private inspection agency also supervised grain weighing at a processing plant. Weight supervision was performed under the auspices of a trade group, of which the processing plant was a member. The processing plant was the inspection agency's principal applicant for inspection. (B)
2. During a November 1973 field trip by two AMS officials, it was disclosed that shortcuts were being taken by licensed inspectors. The officials requested that the AMS field office personnel identify the shortcuts and indicate whether they should be legalized. (circuit)



3. On May 5, 1970, a 50-car unit train of corn loaded at Homer, Illinois, was inspected and graded as No. 2 yellow corn by a private inspection agency. Upon arrival at Albany, New York, a destination grade of sample grade was assigned to 39 of the 50 cars and was sustained by an AMS appeal inspection. AMS suspected intentional misgrading at origin and issued a warning letter to the inspection agency.
4. Some inspection agencies offer discount inspection fees on the basis of inspection volumes. At each of the following locations, only one applicant generally could meet the established volume.

<u>Location</u>	<u>Minimum volume</u>	<u>Preferred fee per sample</u>	<u>Normal fee per sample</u>
Bloomington, Ill.	5,000 submitted truck samples per year	\$1.00	\$2.00
Danville, Ill.	10,000 submitted samples per year	\$1.60	\$3.00
Decatur, Ill.	10,000 submitted samples per year	\$1.60	\$3.00

5. AMS issued licenses to samplers without examining or observing the applicants for competence. The licenses were issued on the basis of recommendations by the chief inspectors of the private inspection agencies involved.
6. The need for a technical competency examination at the time of triennial renewal of inspection personnel licenses was determined by chief inspectors of the private inspection agencies involved, with AMS approval. Many inspectors had not been reexamined for technical competency since their original licenses were issued.
7. A private agency's inspection laboratory was located in a separate building on the grounds of a grain processor's elevator. The building was provided at no cost by the processor which was a major applicant for inspection by the agency. (Gibson City, Ill.)

8. A private inspection agency employed an unlicensed sampler for about 2 months although the time limit for using an unlicensed sampler is 2 weeks. (Da)
9. An AMS field trip in September 1966 disclosed that a private inspection agency was using an unlicensed sampler. The trip was made in response to a complaint about the origin grade on 26 cars of grain which was changed at destination on the basis of an AMS appeal inspection. (Gilman, Ill.)
10. In September 1969, a private inspection agency requested a license for a sampler with only 2 days training. AMS suggested additional training for the sampler. (Gilman, Ill.)
11. During an appeal inspection of a barge, AMS found 7,500 bushels of sour grain which, by regulation, required assignment of a separate grade. A single grade had been assigned to the entire load by a private inspection agency. AMS's followup in March 1975 disclosed that the original sampling was performed by a licensed sampler who lacked proper training and experience. (Springfield, Ill.)
12. In a letter to AMS in September 1967, a private inspection agency stated its intent not to file monthly inspection reports as required by Grain Standards Act regulations. Apparently, the agency was not familiar with the regulations. (Da)
13. A local processor said that the private inspection personnel did not make any in-house laboratory analysis of railcar shipments. He said that the inspectors knew the unofficial quality standards desired by his firm. Therefore, the inspectors visually inspected the grain to determine these quality factors. In turn, these determinations would be used in settling with the seller. (Da)
14. A local processor said that he had purchased 25 hopper cars of grain based upon origin (interior) grade to be shipped from Iowa to Houston. As a check, he had the grain reinspected by his company at Houston and there were wide variances between the origin and destination grades. Although he was forced by contract to accept the grain, a later followup disclosed that the elevator from which the grain was purchased had submitted samples to three inspection agencies and selected the

best, which was substantially higher than the other two. Although this practice is not illegal, it points out the inconsistency among inspection agencies in grade determinations. (De)

PHILADELPHIA, PENNSYLVANIA

Inspection agency--Trade group

Inspection point--Philadelphia

A. Irregularities or improprieties discussed in report

1. Gratuities given to inspection personnel.
2. Elevator purchased from the inspection agency grain which had been drawn for sampling purposes and the proceeds had been divided among inspection agency personnel.
3. Ability to divert sampled grain back to storage bins.
4. Elevator personnel had access to samples and inspection equipment.
5. 100 pounds frequently deducted in weighing inbound railcars.
6. Licensed inspectors sometimes selected samples for AMS supervisory grading.
7. Appeal error rate--4%; supervision error rate--6%. (circuit)
8. AMS supervisors accompanied licensed inspectors when making supervisory or appeal stowage examinations.

B. Other deficiencies or situations which could lead to deficiencies

1. According to the field office supervisor, the field office was understaffed. Samples often sat in AMS's office 2 weeks before there was time to grade them. There was limited supervision of night and weekend loadings.
2. Ability existed to influence sample by varying the speed of the belt, by varying the depth of grain on the belt, and by layering the grain on the belt.

- Elevator had contracted for diverter samplers which should correct problem if the diverter samplers are sealed, regularly checked, and maintained.
3. Opportunity to rotate inspectors was limited.
  4. There were no criteria on the number of corrective action reports a licensed inspector had to receive before other, more stringent administrative actions would be taken.
  5. Of 192 stowage examinations made in the circuit, 139 were made at dockside and 53 were made at anchorage. There were no records that the holds examined and approved during 39 of the 53 anchorage examinations were again examined at dockside as required by AMS regulations.
  6. One grain company held 8 of the 58 memberships of the trade group which owned the inspection agency. An employee of the grain company was one of the trade group's four officers and had been or was the chairman or a member of various committees, including the grain committee. Another of the grain company's employees was a director; a second was or had been a member of two committees; and a third was or had been an alternate member of the grain committee.

PORTLAND, OREGON

Inspection agencies--2 State

Inspection points--Portland (P) and Astoria (A)  
Oreg., and Kalama (K), Longview (L), and  
Vancouver (V), Wash.

A. Irregularities or improprieties discussed in report

1. AMS supervisors wore bright orange coveralls and helmets and were easily recognized. (P,L,V)
2. Licensed inspectors sometimes selected samples for AMS supervisory grading. (circuit)
3. Appeal error rate--23%; supervision error rate not obtained. (circuit)
4. Example of uncorrected original certificate for wheat. (V)

5. Samples and sampling equipment accessible to elevator personnel. (P,K,L)
6. Licensed inspectors and AMS supervisors did not always test mechanical equipment according to instructions.
7. Infrequent use of corrective action reports. (circuit)

B. Other deficiencies or situations which could lead to deficiencies

1. On May 21, 1974, the AMS field office supervisor informed State inspection officials that AMS found two samples it selected from an inspector's files to be weevily although they had not been graded weevily by the inspector. The samples were filed in open pans and a check of the area revealed a large number of live weevils. It could not be determined whether the weevils were in the samples when they were filed or had crawled into the open samples. He pointed out that the cost of obtaining adequate sample containers would be minor compared to the cost of problems that might arise from sample deterioration. (P)
2. GAO observed that the grain spouts from the weighing bin to the shipping bin were not sealed and could possibly be moved to route grain back into a house bin without the weight supervisor's knowledge. (P)
3. A tanker examined in Portland in June 1975 prior to loading was found ready to receive grain. Two tanks were partially loaded with wheat and the ship was moved to Vancouver, Washington, where additional wheat was to be loaded. At Vancouver, a grain company requested a stowage examination of the ship, during which the Seattle inspector and AMS supervisors found loose rust in the two tanks that were partially loaded. They required the ship to be cleaned before further loading. The wheat already in the tanks was covered with a plastic tarp during the cleaning.
4. Until August 1975, the inspection points in the circuit that inspected grain hauled by trucks used an ineffective sampling procedure. The sampler hung each sample on the truck from which he had taken it. When he had sampled all trucks, he would go back and

pick up all the samples. Often this procedure resulted in the samples being out of the sampler's sight, especially if the line of trucks was curved. In early 1975, this procedure enabled a truck driver to substitute a sample for the one taken from his truck by a sampler at a California inspection point without the sampler noticing the substitution. As a result of this incident, Portland tightened its controls over grain samples. (P,K,L)

5. GAO's review of logs of State inspectors' shiphold inspections showed weaknesses in the preparation of ships for loading grain and/or in the quality of State inspections. One log showed that AMS supervisors found live insects in a ship's hold that had been passed by State inspectors earlier the same day. (P) The logs showed also that State inspectors failed to pass many ships, sometimes repeatedly. About 30 percent of the inspections at Portland, 42 percent at Astoria, and 36 percent at Vancouver resulted in rejection of one or more ships' holds. Reasons included live insects, rust or rust scale, water, paint scales, paint odor, sour or moldy grain, wood bark, coal, oil, sand, dirt, rape seed, lime, fertilizer, and gas or a combination of these. (P,A,V)
6. GAO's review of AMS files showed that, between March 1974 and August 1975, AMS supervisors had recorded seven instances where they had checked on State samplers and found their performance to be substandard. In a number of these instances, the sampler was absent from his post while the sample container filled and overflowed. (P)
7. Regrading during fiscal year 1975 by AMS supervisors of grain graded by State inspectors resulted in 40 cases where differences in grade were more than two grades. For example, a submitted wheat sample graded No. 1 was found to be sample grade because the quality had been deteriorated by the presence of rodents. In another case, a submitted wheat sample graded No. 3 regraded as sample grade because it contained a large number of stones. Such wide differences are considered serious by AMS supervisors and are the basis for corrective actions, which may range from a reprimand to the revocation of a license. (P)

8. AMS records showed that in April 1968 a State inspector permitted the loading of a ship's hold without entering the hold for examination. In addition, the AMS supervisor who had examined the hold informed the State inspector that the hold contained standing water that should be removed before loading but the State inspector did not believe the amount of water in the hold was significant. The State inspector was reprimanded for not entering the hold to substantiate his opinion. (P)
9. Several members of one family worked for the State as inspectors or samplers. Another member of the family worked for a grain company. Such relationships have the appearance of a conflict of interest. (P)
10. In the Portland area, there are several ports and inspection points on both the Oregon and Washington sides of the Columbia River. Often preliminary shiphold inspections were made at a Portland inspection point by Oregon State inspectors before a ship was sent across the river to Vancouver, Washington, for final inspection and loading. AMS files contained a memorandum dated October 31, 1974, from a Washington inspector complaining that Oregon's lower inspection standards caused him problems. He stated that:
  - He had been sent to midstream to inspect the holds of a ship. The ship had been under fumigation so he could not enter the gaseous holds. He requested a certificate that the holds were gas free before entering them.
  - Three days later he was provided the certificate. He entered the holds and found coal and residue behind pipe guards, shell frames, and overhead beams with scale both high and low in the holds. The ship was then moved to Swan Island for cleaning.
  - Six days later, after being passed by an Oregon inspector, the ship was moved to the elevator for loading. There was still a lot of coal, residue, and scale in the holds. The elevator officials had the ship moved to another cleaning location where the Washington inspector showed the scalers where and how good the cleaning was to be done.

--The next day he passed the ship.

--A short time later, he went through the same tedious process with another ship. In both cases, he said he was subjected to numerous remarks from ship agents and grain company officials about the cost of ship delays. Such remarks displeased him because he believed he was doing his job the way it should be done.

11. In March 1974, the AMS assistant field office supervisor reprimanded an Oregon inspector at Astoria for a poor inspection job on a ship that was to complete loading in Longview. The inspector at Longview found that the ship's holds were not fit to receive grain because of oil sludge and/or water. He described the sludge on some of the bulkheads as soft and nearly an inch thick. He said it could easily be scraped off with a putty knife. The AMS official said that he observed some of this material, after removal, in several 50-gallon cans.

The inspector at Astoria was again reprimanded about 14-1/2 months later for passing a ship's hold for loading without entering the hold for examination. He said that he had visually examined the hold from the deck because the hold had been fumigated and was gaseous. He should have refused to pass it until he could enter the hold to make a thorough examination. (A)

12. At one export elevator using Woodside samplers, shipping belts could carry up to 6 inches of grain. Both the Woodside samplers and the manual Ellis scoop sampler, which was being used to verify the accuracy of the Woodside samplers, filled up with grain from the top of the belt (about 2-1/2 inches) because the grain was moving so fast. Therefore, until a diverter-type sampler which had been installed at the time of GAO's review was put into use, the elevator's export grain operation was not likely to produce representative samples. For example, assume that 100 tons of grain went over the shipping belt every 20 minutes and that high-grade grain



2 inches deep was run for 10 minutes and low-grade grain 6 inches deep was run for the other 10 minutes. The Woodside or Ellis scoop sampler would have picked up a sample containing about 50 percent high-grade grain and 50 percent low-grade grain although 75 percent of the grain moving over the belt during the 20-minute period was low-grade grain. (K)

13. At one elevator, the State weighing supervisors could not see where the grain was going after it was weighed. Also, the spouts from the scales, the shipping bins, and the scale mechanisms were not sealed to prevent manipulation. The scales were a manual-balance type. (L)
14. There was a considerable difference in results as shown by the AMS appeal grade and those obtained by a State inspector on two cars containing frost-damaged wheat. (V)
15. AMS supervisors arrived at elevators in a GSA motorpool automobile thus alerting licensed inspectors and elevator personnel that they were being supervised. (P,L,V)

ST. LOUIS, MISSOURI

Inspection agencies--2 State, 1 private

Inspection points--St. Louis (SL), Mo; Alton (A) and Cahokia (C), Ill.; and other locations

A. Irregularities or improprieties discussed in report

1. Samples left unattended in waiting area of truckers. (A)
2. Sample inspection or storage rooms left unattended. (A)
3. Appeal error rate--17%; supervision error rate not obtained. (circuit)
4. Requests for multiple inspections. (SL and other locations)
5. Inspector made 116 inspections in one day and did not complete all required grading steps. (A)

6. Infrequent use of corrective action reports.  
(circuit)
  7. AMS supervisors not able to deal effectively with deficiencies of inspection personnel. (A)
- B. Other deficiencies or situations which could lead to deficiencies
1. In addition to his regular inspection duties, a chief inspector of a private inspection agency also supervised weighing at an elevator. Weight supervision (class 2) was performed under the auspices of a trade group of which the grain company involved was a member. (A)
  2. The weighing department of a board of trade weight supervision agency performed class 2 weight supervision for all elevators and mills in St. Louis. Some companies receiving supervision were active members of the board of trade. (S,L)
  3. During a visit to a grain elevator accompanied by an AMS supervisor, GAO personnel observed the chief inspector of a private inspection agency inspect and grade about 12 samples of wheat in 20 minutes. In one case, the inspection and grading took less than 1 minute. The inspector was visually inspecting the samples and was not following prescribed procedures which require a detailed analysis of samples to identify damage and other defects. Subsequently, AMS issued a corrective action notice to the inspector which mentioned this and other violations noted during the visit. (A)
  4. The AMS field office did not have a uniform policy on stowage examinations of barges. In some cases, stowage examinations were not being performed and in other cases the elevator operators were held responsible for the examinations. (circuit)
  5. The AMS field office was understaffed; it had only three agricultural commodity graders,

including two who were at or near retirement age. As a result, the field office relied on the State inspection agency to assist in sampling grain for appeal inspection. Over-the-shoulder supervision was concentrated primarily within the St. Louis metropolitan area. (circuit)

6. In March 1970, the chief inspector of a private grain inspection agency signed an official inspection certificate on a carlot of rye although he was not licensed to officially inspect and grade rye. In July 1970, the AMS field office supervisor sent the inspector a warning letter, citing the incident as a violation of the Grain Standards Act and threatening to suspend his license to inspect grain unless a prompt satisfactory explanation was received. He also sent the inspector a corrective action report, citing him for issuing a false certificate. The inspector responded that his name was put on the certificate by mistake. (A)
7. In October 1969, the chief inspector of a private inspection agency officially inspected a lot of wheat for which he was the consignee. AMS determined that the chief inspector affixed to the certificate the signature of a licensed inspector employed by him and also questioned the class assigned to the lot. The AMS district office recommended to AMS headquarters that the chief inspector's license be suspended. Subsequently, however, a warning letter was sent on the basis of AMS headquarters' recommendation. (A)
8. In April 1975, the chief inspector of a private inspection agency transferred ownership of his inspection agency to his son without notification to or approval by AMS. In September 1975, as a result of GAO's review, the chief inspector officially requested AMS approval of the transfer. (A)
9. All facilities and utilities used by a private inspection agency were being provided by a grain company which was the agency's principal applicant for inspection. In addition, blank official inspection certificates used by the agency were ordered and paid for by the grain company. (A)

SEATTLE, WASHINGTON

Inspection agency--State

Inspection points--Seattle (S) and Tacoma (T),  
Washington

A: Irregularities or improprieties discussed in report

1. Ability to adjust speed of conveyor belt. (T)
2. Ability to divert sampled grain back to storage bins. (T)
3. Elevator personnel retained keys to sample inspection or storage rooms. (S)
4. Samples hand carried to inspection room. (T)
5. Elevators ordered AMS supervisors to provide notice of visits. (S)
6. AMS supervisors wore bright orange coveralls and helmets and were easily recognized. (S)
7. Appeal error rate--28%; supervision error rate--3%. (circuit)
8. GAO observation of improper stowage examination. (S)
9. Infrequent use of corrective action reports on apparently flagrant deficiencies. (circuit)
10. AMS supervisors not able to deal effectively with deficiencies of inspection personnel. (circuit)

B: Other deficiencies or situations which could lead to deficiencies

1. No independent verification had been made by the State or AMS of the computer programs for the automatic system (used for sampling, weighing, blending, and loading) to insure that the State control panel could not be bypassed and thus show false readings. (S,T)
2. Field office supervisor's weekly activity report dated August 10, 1974, said supervisor observed elevator personnel shoveling spilled grain and

- dust into the inspection door of the export diverter sampler. The grain and dust had been spilled from a previous cargo. The elevator company was advised that this was prohibited. Seals were placed on the diverter's inspection doors. (S)
3. During a site inspection, GAO observed that the seal on the air intake on the pneumatic conveyor (samples are transmitted to State laboratory by pneumatic tube) had been broken on the west sampler. AMS asked State to replace seal but took no further action. (S)
  4. Probe samples taken from boxcars may be left unattended along tracks for short periods while the samplers finish a string of cars, thus making it possible to switch samples. (T)
  5. The elevator used a Woodside sampler for export grain. This sampler may not provide a representative grain sample because (a) the sampling cups can be adjusted to fill with grain from various positions on the belt and (b) the volume of grain taken as a sample is not directly proportional to the volume of grain moved by the belt. Field office supervisor's weekly activity report of March 7, 1975, said two diverter samplers were to be installed at cross-belts in gallery to insure that product sampled was being loaded on board. (T)
  6. AMS regional official's trip report dated April 29, 1974, stated that, during his visit to an elevator, dockage material was being added to the grain after sampling. In tracing the dust collection system, the material apparently was that which was picked up from the belt after the point of sampling. (T)
  7. Although weight supervision overall appeared fairly effective, some possible means of circumventing controls exist as follows:
    - a. There were no seals to insure that the spout from the scales to the shipping bin was not moved.
    - b. Scales were mechanical-beam type which were not sealed. However, the State inspector was to check that the scales had not been tampered with and see that the scales balanced at "zero" at least 2 or 3 times daily.

- c. Elevator personnel shared a room next to the scales with State personnel. Weight slips were not locked up and elevator personnel could have access to them momentarily in absence of State personnel. (T)
8. State personnel had been using 10-foot probes; they were to switch to the prescribed 12-foot probes as of September 1, 1975. (T)
9. During GAO's visit, one sampler, reportedly a new employee, could not get the grain from three probes into one bag and dumped the excess on the ground. The Federal supervisor told him to take a new sample and to use as many bags as necessary for the samples. (T)

SPOKANE, WASHINGTON

Inspection agency--State

A. Irregularities or improprieties discussed in report

NOTE: Information from USDA records.

1. AMS refused to renew an inspector's license.

B. Other deficiencies or situations which could lead to deficiencies

NOTE: This circuit not selected for detailed review.

WICHITA, KANSAS

Inspection agency--State

A. Irregularities or improprieties discussed in report

NOTE: Information from USDA records.

1. Less than 30% of available AMS staff time in FY 1975 spent on supervision. (circuit)

B. Other deficiencies or situations which could lead to deficiencies

NOTE: This circuit not selected for detailed review.

OTHER EVIDENCE OR DATA  
WHICH GAO CONSIDERED  
IN EVALUATING  
THE GRAIN INSPECTION SYSTEM

- A. Information Obtained From Foreign Buyers On  
Weight Shortages And Grain Quality Problems
- B. Comments By AMS Field Office, Inspection Agency,  
And Elevator Personnel
- C. List of Indictments Involving The Grain Scandal  
As Of July 13, 1976

A. INFORMATION OBTAINED FROM FOREIGN BUYERS  
ON WEIGHT SHORTAGES AND GRAIN QUALITY PROBLEMS

1. During fiscal years 1973-1975 buyers in the nine countries GAO visited filed formal complaints with USDA about shipments from the following U.S. ports.

<u>Port</u>	<u>Number of shipments</u>
Atlantic:	
Albany, N.Y.	1
Philadelphia, Pa.	8
Baltimore, Md.	1
Norfolk, Va.	2
	<u>12</u>
Lake:	
Chicago, Ill.	2
Milwaukee, Wis.	3
Duluth, Minn.	5
Linwood, Iowa	1
Superior, Wis.	1
	<u>12</u>
Pacific:	
San Francisco, Cal.	1
Longview, Wash.	1
Seattle, Wash.	1
	<u>3</u>
Gulf:	
Pascagoula, Miss.	1
Mobile, Ala.	1
Ama, La.	2
Destrehan, La.	4
Myrtle Grove, La.	1
New Orleans, La.	2
Reserve, La.	4
Westwego, La.	1
Beaumont, Tex.	2
Corpus Christi, Tex.	3
Galveston, Tex.	1
Houston, Tex.	2
	<u>22</u>
	<u>44</u>
Total shipments	<u>71</u>



2. A trade association in one country furnished GAO data which showed that the quantity of corn in shipments received from elevators in U.S. ports from 1969 through 1974 ranged from an overage of 0.02 percent to a shortage of 1.70 percent. The association considered shortweights of up to 1 percent acceptable, although a 1-percent shortage on a large shipment can result in a substantial financial loss to the buyer. The number of years during the 6-year period that shortages in shipments from elevators at U.S. ports exceeded 1 percent is shown in the following table.

	<u>Number of years shortage exceeded 1 percent</u>
Ama, La.	-
Baltimore, Md.	-
Baton Rouge, La.	1
Corpus Christi, Tex.	1
Chicago, Ill.	1
Destrehan, La. (A)	3
Destrehan, La. (B)	2
Houston, Tex. (A)	-
Houston, Tex. (B)	3
Houston, Tex. (C)	1
Long Beach, Cal.	-
Milwaukee, Wis.	1
Mobile, Ala.	1
Myrtle Grove, La.	3
New Orleans, La.	6
Norfolk, Va.	-
Pascagoula, Miss.	3
Port Allen, La.	1
Reserve, La.	3
San Francisco, Cal.	1
Stockton, Cal.	1
Westwego, La.	2

3. One foreign buyer of U.S. corn furnished GAO data from its monthly record of the percentage of broken corn and foreign material (BCFM) on incoming shipments. The buyer purchased number 3 yellow corn for which the maximum BCFM permitted by the standard is 4 percent. The following table shows the BCFM on U.S. corn shipments received by the buyer during the period October 1973 through August 1975.

<u>Month</u>	<u>Percent BCFM</u>		
	<u>1973</u>	<u>1974</u>	<u>1975</u>
Jan.	-	6	9 <u>a/</u>
Feb.	-	6	12 <u>b/</u>
Mar.	-	6	8 <u>a/</u>
Apr.	-	6	6, 12 <u>b/</u>
May	-	6	8 <u>a/</u>
June	-	-	-
July	-	-	6
Aug.	-	-	5
Sept.	-	7.5 <u>a/</u>	-
Oct.	5, 5	4	-
Nov.	5, 6	5	-
Dec.	5	12 <u>b/</u>	-
Average	5.2	6.5	8.3

a/ Received from Norfolk.  
b/ Received from Baltimore.

4. One foreign buyer cited as an example of his weight problems a corn shipment loaded in Philadelphia, Pa., in May 1975 with a certified weight of 20,866 metric tons. The destination weight, determined by an official weighing association was 20,374 metric tons. The 2.36 percent weight shortage represented a \$57,599 loss to the importer. A complaint was filed with the agricultural attache.

5. In 1971 premium rates for guarantees of full invoiced weight of bulk grain shipments varied by both origin and destination ports. The premiums were lowest for shipments loaded at Duluth, Minn.; Superior, Wis.; Toledo, Ohio; and Ama, Reserve, and Baton Rouge, La. An additional fee was charged for shipments loaded at other Lake ports; Atlantic and Pacific ports; Beaumont, Houston, Brownsville, and Galveston, Tex.; St. Charles and Westwego, La.; and Mobile, Ala., and an even higher additional fee was charged for shipments from Corpus Christi, Tex., and New Orleans and Myrtle Grove, La.

6. Another buyer said it is common to receive 60 to 90 tons of dust in an average 30,000 metric ton U.S. grain shipment. The grain cost an average of \$900 per metric ton. He bagged the dust and sold it for compounding as feed pellets for \$150 per metric ton.

7. Importers from one country expected a weight loss of 0.5 percent for corn shipments and 0.4 percent for soybean shipments and said the arrival weight of U.S. corn shipments have been as much as 2.98 percent short and soybean shipments have been as much as 2.4 percent short.

8. Two importers provided the weights of U.S. soybean shipments at loading and offloading but did not identify the origin ports. One received 13 shipments from January 1974 through April 1975 with an average loss of 0.58 percent. Seven shipments had weight losses over the expected 0.4 percent. The weights ranged from 0.54 percent over to 2.39 percent under the certified weights.

The other importer received 13 shipments between December 1973 and August 1975 with an average weight loss of 0.46 percent. Nine of his shipments exceeded shortages of 0.4 percent. The destination weights ranged from 0.33 percent over to 0.89 percent under the origin weight.

9. One soybean importer analyzed the quality of 26 shipments received during 1972 through 1974. Although the U.S. standard for foreign material was 2 percent for the grade he

purchased, 21 of his shipments exceeded that amount. Eleven contained between 2 and 3 percent foreign material, 7 contained between 3 and 4 percent, and 3 contained between 4 and 5 percent.

B. COMMENTS BY AMS FIELD OFFICE, INSPECTION  
AGENCY, AND ELEVATOR PERSONNEL

Misgrading at interior locations

Elevator superintendent: The elevator, which purchases most of its incoming grain on the basis of origin grades and destination weights, runs daily tests comparing origin grades and factors to the destination grades and factors. The large number of grade differences found do not appear to be due to handling, transporting, or differing methods of sampling but rather to deliberate misgrading of grain by inspectors at interior locations.

Blending

Elevator superintendent: When soybeans in the house are well within or below the foreign material limit as stated in the contract for sale, screenings from other soybean shipments will be mixed into the soybeans with the low percentage of foreign material.

Elevator superintendent: The elevator blends corn screenings which originate from its normal operations into sorghum shipments.

AMS supervision

AMS field office supervisor: AMS personnel are rarely assigned to perform supervision during evening or night hours.

AMS field office officials: Present written guidelines describing action to be taken when an inspector misgrades grain are not adequate. Normally no action is taken in those cases involving a one grade difference, but action may be taken in cases involving two or more grade differences.

AMS field office supervisor: The two staff people (the supervisor and one inspector) cannot adequately accomplish their function but rather they can only "fight fires."

AMS field office supervisor: The State often hires part-time samplers to work at elevators during peak times to probe boxcars, trucks, etc. These people may not be too well trained. Unless AMS is informed that these part-time people are working, it may not get around to supervising them.

Use of State inspection agencies

Chief inspector: An all Federal system would be better than a Federal/State system since a Federal agency would not be influenced by State politics.

Board of trade official: A State or joint State/Federal operation of the inspection system would be inadequate because State political influence would result in less qualified personnel being assigned to operate inspection agencies. A Federal inspection system would be better than a State operation, but not better than the present system.

AMS field office supervisor: State inspection agencies tend to provide low quality service because salaries are generally low and people are sometimes hired because of political pressures resulting in inefficient operations and inspections by unqualified personnel.

General

AMS field office supervisor: If a company wants to get some grain past an inspector or get by with short weight, it can probably do it. Woodside samplers aren't adequate and phase-out period has been too long.

AMS field office supervisor: Any large elevator company with a sophisticated computerized system could have a "sharp" computer programmer design the system to get around AMS controls. However, he does not believe such circumventing actually occurs.

AMS field office supervisor: Too much emphasis is placed on speed and not enough on quality; the State has no productivity standards.

AMS field office supervisor: Boards of trade at times have offered discounts to members or otherwise departed from fair and equal treatment of all customers.

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C. LIST OF INDICTMENTS  
INVOLVING THE GRAIN SCANDAL  
AS OF JULY 13, 1976

Name	Title	Firm	Location	Indicted	Charge	Plea	Sentence	Remarks
1. CLARENCE P. BAKER, JR.	Licensed Inspector	Delta Weighing & Inspection Bureau	Myrtle Grove, LA.	8/ 8/74	Bribery	Guilty	5 yrs prob.	
2. BARRY C. BARRIOS	Licensed Inspector	Destrehan Board of Trade	Destrehan, LA.	8/ 8/74	Bribery	Guilty	3 yrs. prob.	
3. VINCENT MARCONI	Licensed Inspector	New Orleans Board of Trade	New Orleans, LA.	8/ 8/74	Bribery	Guilty	3 yrs prob. \$5000 fine	
4. RAYMOND S. SCHULTZ	Laboratory Technician	New Orleans Board of Trade	New Orleans, LA.	8/ 8/74	Bribery	Guilty	4 yrs prob. \$500 fine	
5. WILLIAM E. FEDRICK	Licensed Sampler	S. Louisiana Port Insp. & Weigh. Bd.	Destrehan, LA.	8/ 8/74	Bribery	Guilty	3 yrs prob. \$200 fine	
6. JAMES TIMONET	Licensed Inspector	Delta Weighing & Insp. Bureau	Myrtle Grove, LA.	8/ 8/74	Perjury & False State.	Nolo	2 yrs prob. \$200 fine	Also see 12 & 57
7. WILLIAM E. FLEETWOOD III	Licensed Inspector	Delta Weighing & Insp. Bureau	Myrtle Grove, LA.	8/ 8/74	Bribery	Not Guilty	5 yrs prob. \$600 fine	Found Guilty. Conviction reversed 2-24-76. On 3-17-76 Pled Guilty to Viol. G.S. Act same sentence.
8. PETERSON MARITIME SERVICES, INC.	Firm	N/A	New Orleans, LA.	8/ 8/74	Bribery	Guilty	\$3000 fine	
9. DEAN L. PETERSON	President	Peterson Maritime Services, Inc.	New Orleans, LA.	8/ 8/74	Bribery	Guilty	2 yrs prob. \$1000 fine	
10. THEODORE E. WARREN	Marine Surveyor	National Cargo Bureau	New Orleans, LA.	8/ 8/74	Perjury	Guilty	4 yrs prob. \$500 fine	
11. LAWRENCE J. BERTHELOT	Licensed Inspector	Destrehan Board of Trade	Destrehan, LA.	8/27/74	Viol Grain Stnd. Act	Guilty	1 yr prob.	
12. JAMES TIMONET	Licensed Inspector	Delta Weighing & Insp. Bureau	Myrtle Grove, LA.	1/ 7/75	Bribery	N/A	N/A	Charge dismissed 5/29/75. See 6 & 57
13. BILLY R. DAVENPORT	Licensed Inspector	Houston Merchants Exchange	Houston, TX.	3/24/75	Bribery	Not Guilty		
14. BILL G. MARCY	Licensed Inspector	Houston Merchants Exchange	Houston, TX.	3/24/75	Bribery	Not Guilty		

15. JERRY R. PARKER	Licensed Inspector	Houston Merchants Exchange	Houston, TX.	3/24/75	Bribery	Not Guilty		
16. ARTHUR J. TAUTE	Licensed Inspector	Houston Merchants Exchange	Houston, TX.	3/24/75	Bribery	Not Guilty		
17. BILLY J. WESTBROOK	Licensed Inspector	Houston Merchants Exchange	Houston, TX.	3/24/75	Bribery	Not Guilty		
18. RUFUS J. HEBERT	Elevator Owner	Hebert Grain Elevator	New Orleans, LA.	5/29/75	Viol Grain Stnd. Act	Guilty	30 days to serve.	
19. RICHARD M. BLADES	Licensed Inspector	New Orleans Board of Trade	New Orleans, LA.	5/29/75	Conspiracy to Defraud; ITSP	Not Guilty	2 yrs w/120 days to serve.	Changed to Guilty 9/24/75.
20. DEWEY F. BLADES, JR.	Unkn.	Le Trac Land, Inc.	La Place, LA.	5/29/75	Conspiracy to Defraud; ITSP	Not Guilty	2 yrs probation	Changed to Guilty 9/24/75.
21. CAREY T. LINDSAY	President	Le Trac Land, Inc.	La Place, LA.	5/29/75	Conspiracy to Defraud; ITSP	Not Guilty	2 yrs probation	Changed to Guilty 9/25/75.
22. LE TRAC LAND, INC.	Firm	N/A	La Place, LA.	5/29/75	Conspiracy to Defraud; ITSP	Not Guilty	1 yr probation; \$15,000 Fine	Changed to Guilty 9/24/75; Fine pd. to Peavy Grain Co.
23. BUNGE CORPORATION	Firm	N/A	Destrehan, LA.	7/21/75	Conspiracy to Viol WH Act	Not Guilty	\$20,000 Fine; submit Action Plan	Nolo plea on 10/8/75
24. WALTON F. MULLOY	Vice-President	Bunge Corporation	Kansas City, MO.	7/21/75	Conspiracy to Viol WH Act	Not Guilty	\$500 Fine & 1 yr. Probation 1/12/76	Changed to Guilty 12/19/75
25. CLAYTON E. WILCOX	Manager & Asst. VP	Bunge Corporation	Destrehan, LA.	7/21/75	Conspiracy to Viol WH Act	Not Guilty	\$500 Fine & 1 yr. Probation 2/4/76	Changed to Guilty 12/15/75
26. DANIEL G. DELANEY	Manager & Superint.	Bunge Corporation	Galveston, TX & Destrehan, LA.	7/21/75	Conspiracy to Viol WH Act	Guilty	3 yrs. Probation 2/4/76	Guilty to Lesser Charge
27. WILLIE E. HORN	Foreman & Asst. Sup.	Bunge Corporation	Galveston, TX.	7/21/75	Conspiracy to Viol WH Act	Guilty	18 months Probation 2/4/76	Guilty to Lesser Charge
28. GEORGE J. DEHARDE	Superint.	Bunge Corporation	Galveston, TX.	7/21/75	Conspiracy to Viol WH Act	Not Guilty		
29. HARVEY R. HICKMAN	Manager & Superint.	Bunge Corporation	Galveston, TX.	7/21/75	Conspiracy to Viol WH Act	Guilty	1 yr Probation & \$200 Fine 12/23/75	Guilty to Lesser Charge

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30. JAMES F. KESINGER	Weigher	Bunge Corporation	Galveston, TX.	7/21/75	Conspiracy to Viol WH Act	Not Guilty	To Be Dismissed	Employment beyond Statute of Limitations.
31. HARRY O. DOLSEN, SR.	Manager & Superint.	Bunge Corporation	Destrehan, LA.	7/21/75	Conspiracy to Viol WH Act	Guilty	3 yrs Probation 2/4/76	Guilty to lesser Charge, Also see 46. Sentence to run Concurrent with #46
32. DREBING A. NEGROTTO, JR.	Manager & Superint.	Bunge Corporation	Destrehan, LA & Galveston, TX.	7/21/75	Conspiracy to Viol WH Act	Not Guilty		Also see 47.
33. EDWIN L. WOLF	Asst. Superint.	Bunge Corporation	Destrehan, LA.	7/21/75	Conspiracy to Viol WH Act	Not Guilty	18 months Probation 2/4/76	Changed to Guilty 9/10/75
34. ANDREW J. VOELKEL	Asst. Superint.	Bunge Corporation	Destrehan, LA.	7/21/75	Conspiracy to Viol WH Act	Not Guilty	18 months Probation 2/4/76	Changed to Guilty 9/10/75
35. ALVIN J. MORALES, JR.	Mixer & Asst. Sup.	Bunge Corporation	Destrehan, LA.	7/21/75	Conspiracy to Viol WH Act	Not Guilty.	N/A	Also see 51. Charges dropped on Guilty plea to #51.
36. JOHN H. GONOR, SR.	Mixer & Asst. Sup.	Bunge Corporation	Destrehan, LA.	7/21/75	Conspiracy to Viol WH Act	Not Guilty	N/A	Also see 49. Charges dropped on Guilty plea to #49.
37. EDWARD H. FLEETWOOD	Chief Weigher	Mississippi River Grain Elev. Inc.	Myrtle Grove, LA.	8/ 5/75	Viol IRS Law	Guilty	3 yrs w/30 days to serve	Also see 58. Sentence to run concurrent with #58.
38. ROBERT P. NICHOLAS	Weigher Superv.	S. Louisiana Port Insp. & Weigh. Bd.	Destrehan, LA.	8/ 5/75	Viol IRS Law	Not Guilty	3 yrs w/181 days to serve	Also see 54. Changed to Guilty 9/23/75. To Run Concurrent w#54
39. JOSEPH J. PALMISANO, SR.	Barge Foreman	St. Charles Export Elevator	Destrehan, LA.	8/ 5/75	Viol IRS Law	Not Guilty	3 yrs w/181 days to serve	Also see 52 Changed to Guilty 9/23/75. To run Concurrent w#52
40. COLOGERO C. PORTERA, SR.	Inspector, Asst. Sup.	St. Charles Export Elevator	Destrehan, LA.	8/ 5/75	Viol IRS Law	Not Guilty	3 yrs w/181 days to serve	Also see 53. Changed to Guilty 9/23/75. To run Concurrent w#53
41. JESSE M. ROSEN	Superint.	Mississippi River Grain Elev. Inc.	Myrtle Grove, LA.	8/ 5/75	Viol IRS Law	Guilty	18 months to serve	Not in a maximum security institution.
42. PIVON L. DUPUY	Licensed Inspector	Delta Weighing & Inspection Bureau	Myrtle Grove, LA.	8/ 5/75	Viol IRS Law	Guilty	3 yrs w/90 days to serve	Also see 55. Sentence to run concurrent with #55.
43. LOUIS H. RACHAL	Asst. Superint.	Mississippi River Grain Elev. Inc.	Myrtle Grove, LA.	8/ 5/75	Viol IRS Law	Guilty	30 months w/2 mos. to serve	Also see 60. Sentence to run concurrent with #60.
44. ADAM A. DUPRENE	Tugboat Captain	River Towing Co.	Matrero, LA.	8/ 5/75	Viol IRS Law	Guilty	36 months w/3 mos. to serve	Also see 62. Sentence to run concurrent with #62.

ATTACHMENT III  
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45. HERBERT J. HOTARD	Dispatcher	Sioux City & New Orleans Barge Lines	Luling, LA.	8/ 5/75	Viol IRS Law	Not Guilty	90 days jail 33 mos. Prob.	Also see 61. Changed to Guilty 11/10/75 Run Concurrent w#61
46. HARRY O. DOLSEN, SR.	Manager & Superint.	Bunge Corporation	Destrehan, LA.	8/ 5/75	Viol IRS Law	Guilty	3 yrs Probation 2/4/76	Also see 31. Changed to Guilty 12/2/75 To run Concurrent w#31
47. DREBING A. NEGROTTO, JR.	Manager & Superint.	Bunge Corporation	Destrehan, LA & Galveston, TX.	8/ 5/75	Viol IRS Law	Guilty	3 yrs probation	Also see 32.
48. GERALD C. MIRE	Bin Operator	Bunge Corporation	Destrehan, LA.	8/ 7/75	Conspiracy & Theft	Not Guilty	2 yrs Probation	Changed to Guilty 12/12/75
49. JOHN H. GONOR, SR.	Mixer & Asst. Sup.	Bunge Corporation	Destrehan, LA.	8/ 7/75	Conspiracy & Theft	Guilty	2 yrs probation	Also see 36. Charges on #36 dropped on Guilty plea.
50. GEORGE H. POPRICK	Weigher & Asst. Sup.	Bunge Corporation	Destrehan, LA.	8/ 7/75	Conspiracy & Theft	Guilty	2 yrs probation	
51. ALVIN J. MORALES, JR.	Mixer & Asst. Sup.	Bunge Corporation	Destrehan, LA.	8/ 7/75	Conspiracy & Theft	Guilty	2 yrs probation	Also see 35. Charges on #35 dropped on Guilty plea.
52. JOSEPH J. PALMISANO, SR.	Barge Foreman	St. Charles Export Elevator	Destrehan, LA.	8/ 7/75	Conspiracy to Defraud-Wire	Not Guilty	181 days jail, 3 yrs Probation	Also see 39. Changed to Guilty 9/23/75. Run Concurrent w#39
53. COLOGERO C. PORTERA, SR.	Inspector, Asst. Sup.	St. Charles Export Elevator	Destrehan, LA.	8/ 7/75	Conspiracy to Defraud-Wire	Not Guilty	181 days jail, 3 yrs Probation	Also see 40. Changed to Guilty 9/23/75. Run Concurrent w#40
54. ROBERT P. NICHOLAS	Weigher Superv.	S. Louisiana Port Insp. & Weigh. Bd.	Destrehan, LA.	8/ 7/75	Conspiracy to Defraud-Wire	Not Guilty	181 days jail, 3 yrs Probation	Also see 38. Changed to Guilty 9/23/75. Run Concurrent w#38
55. PIVON L. DUPUY	Licensed Inspector	Delta Weighing & Inspection Bureau	Myrtle Grove LA.	8/ 7/75	Conspiracy & Viol Gr.Stn.Act	Guilty	3 yrs w/3 mos. to serve	Also see 42. Sentence to run concurrent with #42.
56. CLARK D. SMITH	Licensed Inspector	Delta Weighing & Inspection Bureau	Myrtle Grove LA.	8/ 7/75	Conspiracy & Viol Gr.Stn.Act	Guilty	2 yrs probation	
57. JAMES TIMONET	Licensed Inspector	Delta Weighing & Inspection Bureau	Myrtle Grove LA.	8/ 7/75	Conspiracy & Viol Gr.Stn.Act	Not Guilty	2 yrs Probation	Also see 6 & 12. Changed to Guilty 11/10/75
58. EDWARD H. FLEETWOOD	Chief Weigher	Mississippi River Grain Elev. Inc.	Myrtle Grove LA.	8/ 7/75	Conspiracy & Viol Gr.Stn.Act	Guilty	3 yrs w/3 mos. to serve	Also see 37. Sentence to run concurrent with #37.
59. LAWRENCE H. COCHRAN, SR.	Licensed Weigher	Mississippi River Grain Elev. Inc.	Myrtle Grove LA.	8/ 7/75	Conspiracy & Viol Gr.Stn.Act	Not Guilty	N/A	Charge dismissed

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60. LOUIS H. RACHAL	Asst. Superint.	Mississippi River Grain Elev. Inc.	Myrtle Grove, LA.	8/ 7/75	Conspiracy & Viol Gr.Stn.Act	Guilty	30 mos. w/2 mos. to serve	Also see 43. Sentence to run concurrent with #43.
61. HERBERT J. HOTARD	Dispatcher	Sioux City & New Orleans Barge Lines	Luling, LA.	8/ 7/75	Conspiracy & Viol Gr.Stn.Act	Not Guilty	90 days jail, 33 mos. Prob.	Also see 45. Changed to Guilty 11/10/75. Run Concurrent w#45
62. ADAM A. DUFRENE	Tugboat Captain	River Towing Co.	Marrero, LA.	8/ 7/75	Conspiracy & Viol Gr.Stn.Act	Guilty	3 yrs w/3 mos. to serve	Also see 44. Sentence to run concurrent with #44.
63. GEORGE J. ROHRBACKER, JR.	Deckhand	River Towing Co.	Marrero, LA.	8/ 7/75	Conspiracy & Viol Gr.Stn.Act	Guilty	2 yrs w/2 mos. to serve	
64. ADNAC, INC.	Firm	d/b/a St.Charles Grain Elev. Co,	Destrehan, LA.	8/ 7/75	Consp; Viol WH & Gr. Stn. Act	Not Guilty	N/A	Superseded by Indictments on Nos. 76, 77, 78.
65. ROBERT W. EDGEWORTH, aka Robert M. Edgeworth	Plant Manager	St. Charles Grain Elevator Co.	Destrehan, LA.	8/ 7/75	Consp; Viol WH & Gr. Stn. Act	Not Guilty	3 yrs, suspend; \$2,000 Fine	Changed to Guilty 9/25/75
66. LEO E. PICKELL	Plant Superint.	St. Charles Grain Elevator Co.	Destrehan, LA.	8/ 7/75	Consp; Viol WH & Gr. Stn. Act	Not Guilty	3 yrs. suspend; \$1,000 Fine	Changed to Guilty 9/25/75
67. JOHN M. MILANO, SR.	Asst. Superint.	St. Charles Grain Elevator Co.	Destrehan, LA.	8/ 7/75	Consp; Viol WH & Gr. Stn. Act	Not Guilty	18 mos. probation	Dropped other charges on Guilty plea to Frd. Wght.
68. FREDDIE H. GERMAN	Asst. Superint.	St. Charles Grain Elevator Co.	Destrehan, LA.	8/ 7/75	Consp; Viol WH & Gr. Stn. Act	Not Guilty	18 mos. probation	Dropped other charges on Guilty plea to Frd. Wght.
69. MANUEL J. FREITAS	Asst. Superint.	St. Charles Grain Elevator Co.	Destrehan, LA.	8/ 7/75	Consp; Viol WH & Gr. Stn. Act	Not Guilty	18 mos. probation	Dropped other charges on Guilty plea to Frd. Wght.
70. RUSSELL W. EMERSON	House Inspector	St. Charles Grain Elevator Co.	Destrehan, LA.	8/ 7/75	Consp; Viol WH & Gr. Stn. Act	Not Guilty	18 mos. probation	Dropped other charges on Guilty plea to Frd. Wght.
71. LOUIS H.C. MATHERNE	Chief Inspector	Delta Weighing & Inspection Bureau	Myrtle Grove LA.	8/15/75	Bribery; False Declarations	Not Guilty	3 yrs. Prob. from 4/7/76 Dismissed.	Changed to Guilty 3/5/76
72. JOHN NIKOLAIDIS	Greek National	M/T Yanxilas	Portland, OR.	8/26/75	Bribery	Not Guilty	5 yrs. suspend; \$3,000 Fine	Changed to Guilty 9/17/75

BEST DOCUMENT AVAILABLE

ATTACHMENT III  
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73. ANTHONY A. DANNA	Licensed Inspector	Greater Baton Rouge Port Commission	Baton Rouge LA	1/19/76	Bribery & Conspiracy	Not Guilty	6/11/76 plead to lesser offense of conspiracy to violate the Grain Standards Act.	
74. EDWARD M. WYBLE	Licensed Inspector	Greater Baton Rouge Port Commission	Baton Rouge LA	1/19/76	Bribery & Conspiracy	Not Guilty	6/11/76 plead to lesser offense of conspiracy to violate the Grain Standards Act.	
75. DOMMENIC CORRENT, JR.	Chief Inspector	Greater Baton Rouge Port Commission	Baton Rouge LA	1/19/76	Bribery & Conspiracy	Not Guilty	6/11/76 plead to lesser offense of conspiracy to violate the Grain Standards Act.	
76. ARCHER, DANIELS, MIDLAND COMPANY	Firm	N/A	Decatur, IL	3/ 4/76	Conspiracy To Defraud	Nolo Plea	\$10,000 Fine; sub-Affirm Action Plan	Supersedes No. 64
77. GARNAC GRAIN COMPANY, INC.	Firm	N/A	New York, NY	3/ 4/76	Conspiracy To Defraud	Nolo Plea	\$10,000 Fine; sub-Affirm Action Plan	Supersedes No. 64
78. ST. CHARLES ELEVATOR COMPANY	Firm	N/A	Destrehan, LA	3/ 4/76	Conspiracy To Defraud	Nolo Plea	\$10,000 Fine; sub-Affirm Action Plan	Supersedes No. 64
79. COOK INDUSTRIES, INC.	Firm	N/A	Memphis, TN	5/ 6/76	18 USC, Sec. 241, 371, 1001	Nolo Plea	\$370,000 Fine	Total of 37 Counts
80. MISSISSIPPI RIVER GRAIN ELEVATOR, INC.	Firm	N/A	Myrtle Grove, LA	5/ 6/76	18 USC, Sec. 371, 1001, 1002	Nolo Plea	\$60,000 Fine	Total of 6 Counts
81. CONTINENTAL GRAIN COMPANY	Firm	N/A	New York, NY	5/ 4/76	Export Admin. Act 1969	Nolo Plea	\$500,000 Fine	Total of 50 Counts
82. Thurman May	Licensed Inspector	Greater Baton Rouge Port Commission	Baton Route LA	6/11/76	Conspiracy to Violate Grain Standards Act	Guilty 6/21/76	Not Sentenced Yet.	
83. Donald Henbert	Licensed Inspector	Greater Baton Rouge Port Commission	Baton Rouge LA	6/11/76	Conspiracy to Violate Grain Standards Act	Guilty 6/11/76	Not Sentenced Yet.	
84. Charles Daigle	Licensed Inspector	Greater Baton Rouge Port Commission	Baton Rouge LA	6/11/76	Conspiracy to Violate Grain Standards Act	Guilty 6/11/76	Not Sentenced Yet.	

ATTACHMENT III  
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