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Statement of  
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before the  
Subcommittee on Agriculture, Rural Development,  
and Related Agencies  
Senate Committee on Appropriations

on  
General Accounting Office Reviews of  
Department of Agriculture Activities

Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to discuss the results of our major reviews during the past year relating to Department of Agriculture activities. I have a short statement which highlights our work. In the attached appendix we have summarized over 50 major assignments we have completed or started since last year's hearings. Where applicable, we show the action taken on our recommendations. I will also discuss the President's budget proposals for fiscal year 1983 as they relate to work we have done at the Department.

FOOD STAMPS

States use the authorization-to-participate system to issue most food stamp benefits. We reported that, according to Department records, duplicate issuances arising from false claims and other losses incurred in getting coupons to recipients amounted to about \$12 million annually. Actual losses, however, were higher because some locations had not filed required reports or had



understated their losses. Agriculture is taking some corrective action, but it needs to increase its efforts with food stamp agencies to upgrade the fiscal integrity of issuance procedures and hold States liable for losses.

We also reported on a test of the workfare concept whereby food stamp recipients work in exchange for their benefits. Data on the first year of the test indicated that workfare was administratively feasible. Program changes we recommended to increase participation, shorten job-search periods, and increase penalties for noncompliance recently became law.

Two assignments underway focus on the integrity of the \$10.6 billion food stamp program. One is an assessment of the causes and kinds of errors made in food stamp eligibility and benefit determinations. In the other we are assessing the extent of Federal, State, and local efforts to identify households improperly awarded or denied benefits and to establish and collect claims. Our work shows that more can be done to prevent errors and that little effort has been made to recover erroneous benefits which, based on the Department's data, are estimated to have reached \$1.1 billion in 1981.

The President's fiscal year 1983 budget proposals on income security programs include phasing in full State responsibility for erroneous payments under the aid-to-families-with-dependent-children, food stamp, and medicaid programs. So far, establishing higher administrative cost reimbursement rates as an incentive for the States to reduce error rates and pursue fraud has had little effect. Increasing the States' financial liability for errors would provide a major incentive for better administration

and could result in savings--especially for the food stamp program in which benefits are totally financed by the Federal Government. Also, if this is adopted, the proposal to consolidate administrative funding for the same three programs would provide further opportunities for savings through streamlining operations and eliminating separate accounting and reporting requirements.

#### CHILD NUTRITION

We also reported on efforts to improve the \$3.5 billion school lunch program. We found that all types of lunches fell short of providing recommended levels of basic nutrients--some to a serious extent. We recommended that Agriculture decide whether achieving a specific nutrient goal is necessary or practical, or whether the program should simply provide a variety of foods within a specified meal pattern or some other achievable criteria.

On commodity purchases and donations, we reported that recipients such as schools often received the wrong quantities and kinds of food and that food was sometimes delivered at times when it could not be used effectively. We recommended a series of steps to improve overall management of this \$1 billion program.

We will be reporting soon that financial resources for nutrition education in schools need to be used more effectively and that many experts believe that educating school children is the most effective way to develop a nutritionally informed population. The President's budget proposes to leave nutrition education activities to State and local discretion.

The President proposes also to eliminate the summer feeding and special milk programs and merge the school breakfast and child

care feeding programs into a grant to the States. We have reported in past years that the summer program has had major recurring problems, that management of the child care program needed improvement, and that communities should have a voice in whether to have a breakfast program in their school districts.

The President also proposes to transfer the \$900 million special supplemental food program for women, infants, and children--known as WIC--to the Department of Health and Human Services where it would be included in a block grant. In a February 1979 report we pointed out that the Congress intended WIC to operate as an adjunct to good health care and that there was a need for strong coordination of the WIC program with the activities of the Department of Health and Human Services.

#### PRODUCTION AND MARKETING

Our major reports this past year on agricultural production and marketing programs dealt with the effectiveness of the farmer-owned grain reserve and with additional opportunities for recovering costs incurred in agricultural inspection and grading programs through user charges.

During its first 2 to 3 years, the farmer-owned grain reserve program only partially met its objectives of increasing grain inventories in times of abundant supply, removing the Government from the role of grain storer, and reducing price variability. To improve the reserve's effectiveness, we recommended program adjustments and suggested other possible modifications for further study, such as removing quantity limits, emphasizing long-term stabilization, and allowing nonproducers--such as grain merchants, millers, exporters, and other middlemen--to participate.

On user charges, marked differences existed in the degree to which recipients bore the costs of Agriculture's marketing and regulatory services. In line with our recommendations, the Omnibus Budget Reconciliation Act of 1981 authorized greater user charge financing of such major special benefit services as cotton classing, tobacco grading, grain inspection and weighing, naval stores grading, and warehouse examinations.

Agriculture estimated annual appropriations savings from these changes of almost \$48 million for fiscal years 1982, 1983, and 1984. Some of the authorizations expire after 1984, however, and unless the Congress extends them, annual savings will be less in future years.

Based on a review of the Commodity Futures Trading Commission, we recently testified that Federal regulatory programs protecting futures markets and market participants should be reauthorized. The Commission's principal programs should also be improved to keep rapidly expanding futures trading reasonably free from abuse and to protect the important risk-shifting and price discovery functions of futures markets. Even if the futures industry assumes an increasing responsibility for regulation--which we support--the Commission will need to continue some of its own important regulatory and monitoring activities. Improvements which we have proposed can be achieved largely through a shift of resources rather than through a significant budget increase.

In a current review of the Federal Crop Insurance Corporation--which has a budget of \$117.6 million in fiscal year 1982--we are examining such issues as actuarial soundness of premiums, the reasonableness of the Corporation's rates and service compared

with those of the private insurance industry, and what actions might be needed to make the program eventually self-sustaining and independent of Government funding.

#### CONSERVATION

In our assessment of the resource conservation and development program, we concluded that program objectives were virtually open-ended, program benefits were difficult to pin down, and accurate cost information was not available. We made specific legislative and administrative recommendations to improve the program--including the elimination of Federal funding for project measures. In approving the 1982 budget for the Department, the Congress chose to continue this \$26 million program. The President's 1983 budget proposal provides for the phase out and termination of the program by the end of fiscal year 1983, and the Congress will again have to address the fundamental question of whether it should be continued.

In our ongoing review of the Department's major soil conservation programs, we are examining the issues of targeting funds to the Nation's major erosion problems, concentrating assistance on those practices which yield the greatest conservation benefit for the cost, and identifying alternative strategies for solving conservation problems.

The President's 1983 budget proposal provides for restructuring Agriculture's soil and water conservation programs. We agree with the proposal that Agriculture's conservation assistance be focused on high priority problems and that technical assistance be an important part of this effort. Agriculture, however, needs better data to restructure its programs.

## CREDIT

Our reviews of Federal agricultural credit are focusing primarily on the Farmers Home Administration. We are examining whether the agency's cost of obtaining Federal financing accurately reflects the Government's cost of money and whether the agency sets loan terms for borrowers based on the true cost of money.

Another review concerns whether the agency is using all resources at its disposal to help financially distressed farmers overcome loan repayment problems. We plan to determine the adequacy of resources available to help these farmers and the reasonableness and uniformity of the agency's criteria and practices.

As a part of a broader review pursuant to the Farm Credit Act Amendments of 1980, we are also examining the Farm Credit System's implementation of special loan programs for young, beginning, and small farmers and ranchers.

## EXPOPT AND TRADE

We also reported on the 1980-81 Russian grain embargo. Because of the short time between the decision to suspend shipments and the announcement of the suspension, the Department was not able to thoroughly analyze the suspension's potential impact on farmers and others and to develop a comprehensive plan of offsetting actions. As a result, Agriculture (1) erroneously anticipated that the farmer-owned reserve would efficiently remove the undeliverable grain from the marketplace, (2) purchased the exporters' Soviet contracts valued at about \$2.4 billion with little documentation that such purchases were necessary, and (3) inefficiently implemented the offsetting actions. In line with our recommendations,

the Agriculture and Food Act of 1981 requires the Department to develop a contingency plan to alleviate the effects of any future suspension.

#### RESEARCH AND EXTENSION

In the agricultural research area, we reported that although the Department is responsible for preserving the Nation's base stock of domestic and world food plants, a number of serious problems existed in collecting, maintaining, and storing germplasm--the genetic material contained in that stock. A number of plant varieties must be available to minimize the risk of major losses resulting from plant diseases and other causes. The Department has begun to give this area increased attention.

In a report on extension activities, we said that the Cooperative Extension Service--which has a budget of \$316 million in fiscal year 1982--had expanded into new and more socially oriented programs from its original focus on agriculture and home economics programs in primarily rural areas. The Department's role in providing overall program leadership and guidance and in evaluating extension activities is not clear. We recommended that appropriate congressional committees examine the Service's mission, including the appropriate Federal role. A subcommittee of the House Committee on Agriculture started oversight hearings in February 1982.

Finally, we have a review underway to identify underused Department-owned or leased research facilities and explore ways such facilities can be better utilized.

That concludes my prepared statement. We will be glad to respond to any questions you may have.