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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

CIVIL DIVISION

NOV 25 1969

Dear Mr. Felber:

The General Accounting Office (GAO) has made a follow-up review regarding the disclosure of expenses for administering programs of the Commodity Credit Corporation (CCC), Department of Agriculture.

Our review showed that the financial report of CCC for fiscal year 1969 did not disclose that about \$21 million of funds appropriated to the Agricultural Stabilization and Conservation Service (ASCS) for administrative expenses were used to finance the administration of CCC programs. Our comments on this matter follow.

NEED FOR CCC TO DISCLOSE COST  
OF OPERATING ITS PROGRAMS

Substantially all of CCC operating expenses are paid from an ASCS consolidated fund account covering operating expenses for both CCC and ASCS activities. Expense funds are provided by an ASCS appropriation and by transfer of CCC corporate funds up to a specified limitation as authorized by the appropriation act. The ASCS Budget Division performs the function of determining, on the basis of workload statistics, the amount of operating expenses for individual CCC and ASCS activities. This method of determining expenses is being used pending the development of an ASCS accounting system which is expected to provide for the timely distribution of accrued operating expenses by activity. The statement of accounting principles and standards was approved by GAO in October 1968.

In letters dated July 9 and November 18, 1968, to the CCC Vice President (Deputy Administrator, Management, ASCS), we expressed the opinion that, if CCC funds are used to administer ASCS activities or if the reverse situation occurs, the CCC financial statements should disclose the matter. We recommended that the ASCS Budget Division report to CCC the full amount of operating expenses applicable to CCC programs. We pointed out that this procedure would enable CCC to disclose in its fiscal year financial report the full cost of administering CCC programs.

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In a reply dated December 5, 1968, the ASCS Acting Deputy Administrator, Management, stated that steps would be taken to insure that expenses, computed on the basis of workload information, are reported to CCC regardless of the amount of funds provided by CCC for the expenses of such activities. He did not express any objection to the idea that CCC should disclose the full cost of administering its programs.

In a memorandum dated September 5, 1969, before CCC's financial report for fiscal year 1969 was finalized, the Budget Division apprised CCC that in addition to the funds transferred by CCC for operating expenses in fiscal year 1969, an additional \$21 million was expended for carrying out CCC activities. This additional cost was not disclosed in CCC's financial report for the fiscal year.

Costs applicable to a given organization or purpose should not be limited to those financed by the organization. If significant elements of cost are applicable but paid or financed through other funds or agencies, provision should be made to incorporate these costs into its accounting system. We believe, therefore, that to provide for full disclosure, the CCC accounting records and financial reports should include the full amount of expenses for administering CCC activities.

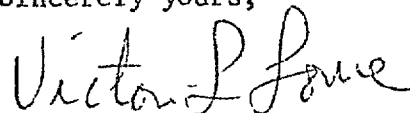
#### Recommendation

We recommend that fiscal procedures be adopted to provide for CCC accounting records and financial reports to include the full amount of expenses for administering CCC programs

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We would appreciate your comments on our recommendation by December 5, 1969. We will be pleased to discuss this matter with you or with members of your staff if you desire. Copies of this letter are being sent to the Executive Vice President and the Controller, CCC, and to the Inspector General, Department of Agriculture.

Sincerely yours,



Victor L. Lowe  
Associate Director

Mr. Everett H. Felber  
Deputy Vice President  
Commodity Credit Corporation  
Department of Agriculture