

**AUDIT FINDINGS  
IN THE  
KANSAS AGRICULTURAL STABILIZATION  
AND CONSERVATION STATE OFFICE  
AND  
SELECTED ASC COUNTY OFFICES IN KANSAS  
COMMODITY STABILIZATION SERVICE  
DEPARTMENT OF AGRICULTURE  
1954**

**UNITED STATES GENERAL ACCOUNTING OFFICE  
DIVISION OF AUDITS**

UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON 25

JAN 10 1955

DIVISION OF AUDITS

R-118622

Mr. James A. McConnell, Administrator  
Commodity Stabilization Service  
Department of Agriculture

Dear Mr. McConnell:

For your information and use we are transmitting our audit findings in the Kansas Agricultural Stabilization and Conservation state office and two ASC county offices in Kansas (McPherson and Washington).

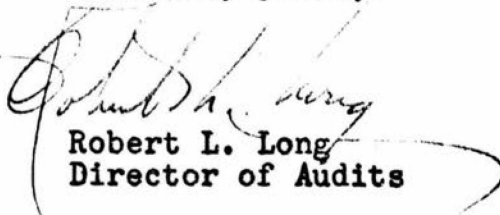
Our examination in Kansas covered selected activities and was completed in September 1954. The activities reviewed in each office were as follows:

	<u>State office</u>	<u>County offices</u>	
		<u>McPherson</u>	<u>Washington</u>
General survey	x	x	x
Grain price-support programs	x	x	x
Agricultural adjustment program	x	x	
Storage activities	x	x	x
Sales and dispositions	x	x	x

We did not make an audit of administrative expenses in any of the ASC state and county offices visited in our 1954 audit, but instead we are reviewing the work performed by the CSS Audit Division.

We would appreciate being informed of the action taken by the Commodity Stabilization Service with respect to any of the findings in this report.

Sincerely yours,

  
Robert L. Long  
Director of Audits

Enclosure

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DEPARTMENT OF AGRICULTURE  
1954  
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McPHERSON ASC COUNTY OFFICE

GENERAL SURVEY

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GENERAL SURVEY

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DETAILS OF FINDINGS

KANSAS ASC STATE OFFICE

GENERAL SURVEY

Inadequate supervision

Our review disclosed that the ASC state office was visited on a few occasions during the fiscal year 1954 by representatives of the central office. The chairman of the state committee stated that he was not satisfied with the number or duration of such visits. He felt that the area director or a member of his staff should visit the office a minimum of once every 6 weeks and stay long enough to discuss the current pressing problems.

Based on our review of fieldmen's reports, our observation of county office operations, and our discussions with the chairman of the state committee, we believe that the supervision furnished the county offices by the state office was inadequate. There was an insufficient number of farmer fieldmen (7 for 105 counties) or other personnel qualified to train new county office managers, county committeemen, and office personnel, and to reorganize and correct deficiencies in problem counties. Counties in the state which were considered to be in immediate need of direct supervision included:

Counties in which all committeemen were newly elected	13
Counties with new office managers (less than 1 year)	20
Problem counties (other than those included above)	<u>14</u>
	<u>47</u>

During our discussion of the problems of state office supervision over the county offices, the chairman of the state committee stated that he believed that county office manager trainers (representatives of the state committee) who could be sent to designated county offices for periods of time sufficient to train the county office personnel would be of far greater value to the state program operations as a whole than the employment of additional fieldmen. The state committee estimated that it would require 1,126 man-days or 4 full-time employees to perform this service. The chairman has requested authority and funds to hire personnel for this purpose, but such approval had not been received at the time of our audit. He believes that adequate supervision and training of county office personnel would substantially reduce the average annual costs of operating the 47 counties referred to above.

## GRAIN PRICE-SUPPORT PROGRAMS

### Inaccurate summary reports of commodity loans and purchase agreements

Form CL-4B, Monthly State Commodity Loan and Purchase Agreement Summary, as of June 30, 1954, was not accurate in the following respects:

1. The county offices did not always submit promptly Form CL-4A's, Monthly Cumulative Report of Commodity Loan and Purchase Agreement Activity From Inception of Program to Date. As a result, the state office summarized the data reported on the latest available CL-4A in preparation of CL-4B.
2. County offices in many instances made obvious errors on the CL-4A's. As a result, the state office summarized the data reported on the previously submitted CL-4A. (Approximately 40 percent of CL-4A's are rejected by the state office because of errors and are returned to the counties for correction.)
3. The state office erroneously transcribed data to the summary work sheet from a June 15, 1954, CL-4A instead of the June 30, 1954, report.

Detailed instructions covering the preparation of CL-4A are contained in the CL&P Handbook, Parts VI, V, and Part VI, Bulletin 2. The state office has issued additional instructions in the form of letters emphasizing the importance of properly preparing and promptly submitting CL-4A's. We discussed the above findings with the state committeemen who were aware of the situation and believed that the deficiencies at the county level were mainly the result of inexperience and inefficiency. They stated that they had been trying to correct the situation and believed some progress had been made, and would continue to stress the importance of properly preparing and promptly submitting the forms.

### Inadequate control over reinspections

The state office has established an adequate reinspection program for farm-stored collateral. However, state office control over reinspections was not adequate. The control register used by the state office to assure that all reinspections were made within 30 days prior to maturity was not posted currently. We discussed this matter with a price-support specialist who stated that the register was not posted currently due to a turnover in state office clerks. He assured us that the register would be properly prepared in the future.

Incomplete follow-up action on irregularities disclosed by reinspections

The state office follow-up action with respect to all reinspection exceptions reported to it was not complete in that:

1. We were unable to locate any evidence of follow-up action on a conversion case reported to the state office on Form CL-25, Report on Questionable Farm-Stored Commodities. We discussed this with a price-support specialist who immediately took follow-up action and it was determined that the loan was satisfactorily settled. He stated that the above was the result of an oversight, and, to prevent any recurrence, CL-25's will be attached to follow-up correspondence for his review.
2. A copy of Form CL-11, Farm-Stored Commodities Reinspection Report, was not retained in state office files in all cases as required by the CL&P Handbook, Part III, II E, 1. We discussed this with a price-support specialist who was not aware that CL-11's were required to be retained in all cases. He assured us that a copy would be retained in the future.
3. We noted several cases where the state office approved a county office's recommendations calling loans and no further correspondence could be located to determine the disposition of the loans. If no further correspondence was received from the county, the state office assumed the loan was settled satisfactorily. We discussed this with the state committee who stated that follow-up action would be taken to assure that counties were taking prompt and proper action.

AGRICULTURAL ADJUSTMENT PROGRAM

Inadequate control over marketing quota forms

County offices are required to return a receipt to the state office showing the number of marketing quota forms received. Since the state office personnel did not count the forms mailed to the counties, they considered the receiving reports from the counties as accurate and adjusted their records accordingly without question. County offices are not required to submit periodic reports concerning the use of forms to the state office. Farmer fieldmen are required to review the procedures with respect to control over prenumbered forms with the county committee during their monthly visit. We reviewed the reports for each fieldman and found that only general discussions were had with the county committee. The state committee directed the official charged with the responsibility of maintaining subject controls to thoroughly

investigate all differences and to make certain that all future shipments were accurately recorded. The committee further stated that the county office control records would be examined by the fieldmen in the near future and that any necessary corrective action would be taken.

#### Numerical sequence of MQ82's not checked

Receipts of penalty payments (Form MQ82, Receipt for Penalty) recorded on Form MQ103, Wheat, Schedule of Remittances--Wheat Marketing Quotas, were not checked to determine whether all receipts were reported in numerical sequence as required by instructions. We noted 10 receipt numbers unaccounted for on schedules of remittances in Atchison, Butler, Cloud, Hamilton, Jackson, Kiowa, and Lincoln Counties. Without a check on the numerical sequence there is a lack of current control. Adequate procedures are used by the state auditors to account for the receipts, but this does not provide current control of cash transactions. The supervisory administrative officer took the necessary action to have the schedules of remittances checked for numerical sequence of receipts and a follow-up made of all discrepancies noted.

#### STORAGE ACTIVITIES

##### Inaccurate quarterly report of bins rented

Our review of the letter report for the quarter ended June 30, 1954, showing the total number of bushels of bin capacity rented submitted by the state committee to the Director, Grain Division, disclosed that the control ledger in support of this report was in error, and, consequently, the report was inaccurate.

##### Lack of uniformity of dates indicated on storage site inspection reports

A review of the CL-14's, Storage Site Inspection Report, disclosed that the date shown on the form was not consistent in that some counties entered the date the form was prepared and other counties entered the date that the inspection was made.

##### Missing county reports on commodity receipts and withdrawals

We compared quantities shown on the July 1954 CL-14's with the quantities shown on the Form CL-23A's, County Report on (Commodity) Receipts or Withdrawals, for 20 counties. We could not locate at the state office, as of September 20, 1954, CL-23A's for three counties (Allen, Crawford, and Douglas) which showed quantities in storage on their July 1954 CL-14's.

Delay in arranging for storage facilities

The belated action by the Kansas ASC state office in arranging for additional storage facilities in McPherson County resulted in delays in accepting delivery of commodities. On or before March 1, 1954, the county committee notified the state office of the necessity of additional storage space for the anticipated take-over of loan collateral following the April 30, 1954, loan maturity date. It was not until April 19, 1954, that the county was informed of the state office action on their request. The bins at Canton, Kansas, were not completed before the end of the 60-day period following the maturity date, the period when CCC may effect delivery without incurring storage charges.

## McPHERSON ASC COUNTY OFFICE

### GENERAL SURVEY

#### Inefficient county office manager

The county office manager did not perform his duties satisfactorily. The Kansas ASC state office auditors, in their audit report No. 49-057-54-51, dated March 30, 1954, enumerated 41 audit exceptions. As of June 22, 1954, the county office manager had not answered the exceptions, notwithstanding the state office follow-up every 2 weeks. The office manager resigned June 23, 1954, 2 days after our audit was begun.

#### Files not maintained in an orderly fashion

Our examination revealed the majority of file cabinets had no labels on the file drawers to identify the contents. The files were not arranged for efficient operation. As an illustration, 1954 wheat acreage allotment files were maintained in file cabinets located in three different rooms. In one room, 1954 wheat acreage allotment files were in two pasteboard boxes and one file cabinet drawer, and the other three drawers of the file cabinet contained 1949 ACP files. Another illustration: Drawers 1, 2, and 4 in a file cabinet contained current aerial photographs while drawer No. 3 was labeled "1952 Farm Stored Loans," but contained 1953 delivery notices for loans delivered but not settled. The chairman of the county committee informed us that as soon as they could locate a new office manager the files would be rearranged and properly identified.

#### Inadequate office space

In our opinion, the office space of 600 square feet was inadequate for efficient arrangement and operations. Eight regular employees and eight temporary employees plus desks and file cases could not operate in 600 square feet. As a result, space was borrowed from the Civil Service Commission and Farmers Home Administration. This borrowed space had to be released every other Wednesday. Because of this shortage of space, a physical layout of the office for efficient operations could not be made. The chairman of the county committee stated that they would make every effort to get more suitable space.

### GRAIN PRICE-SUPPORT PROGRAMS

#### Improperly prepared farm-storage work sheets

In our examination of 16 farm-stored loans we found 3 loans where the Form CL-3A, Farm-Storage Work Sheet had not been properly prepared. These three CL-3A's did not show the approving

official or the date approved. Of 14 warehouse-stored loans examined, 9 instances were found where the Form CL-3B, Warehouse Storage Work Sheet, was not approved by a county official.

Delays in recording chattel mortgages

Delays of 3 to 42 days from the dates loans were approved to the dates of recording the chattel mortgages were noted.

No check made of eligibility of collateral

The eligibility of the quantity of collateral placed under 1953 crop loans was not checked to AAP files in the county office prior to approving loans. This deficiency was being corrected on 1954 loans. We observed that loan applications were being checked to the AAP files to determine if the quantity to be placed under loan was reasonable in relation to the acreage allotted.

Delays in receipt of service charges from lending agencies

We noted a time lag ranging from 2 to 25 days between the date the loans were disbursed and the date service fees were received from the lending agencies.

Farm-stored loan approved for a producer with a history of unreliability

The county committee approved a farm-stored loan contrary to instructions for a producer with whom the county has had difficulty in the past. Instructions prescribe that in those instances where the county committee has experienced difficulties with a producer or has reason to believe that the producer is unreliable, a farm-storage loan should not be approved but the producer should be informed that he may obtain a warehouse-storage loan or sign a purchase agreement.

Inadequate control over delivery notices and delay in directing delivery of forfeited collateral

Control over Form CL-15's, Commodity Delivery Notice, is inadequate. The total number of CL-15's issued and the quantity of grain was indicated on a card by location. However, the number of CL-15's returned were not checked to this card. The county office has no record to determine delivery notices outstanding and those which have been completed. Some forfeited loan collateral was not delivered within the 60-day period following the loan maturity date when CCC may effect delivery without becoming liable for payment of storage charges to borrowers. Between July 1 and July 8, 1954 (subsequent to the period in which CCC may effect delivery without incurring storage charges), 13 Form CL-15's totaling 8,949 bushels were issued for delivery to the Hilton bin site.

### Delays in completing loan settlement documents

The time lag between the date delivery was completed as shown on the CL-15's and the date the Form CL-7's, Loan Settlement, were completed on four loans examined ranged from 54 to 56 days. As of July 9, 1954, 30 settlements had been completed and approximately 800 were yet to be completed. The chairman of the county committee attributed this condition to shortage of personnel and the large volume of work in the office. He stated that as soon as the Wheat Marketing Cards and Acreage Allotment Listing Sheets had been completed additional employees would be used to reduce the loan program backlog.

### Delays in transmitting loan documents to commodity office

Warehouse loan documents were not transmitted promptly to the Kansas City commodity office after maturity. The average lag was 10.3 days on the transactions selected for audit. The lag ranged as high as 19 days.

## AGRICULTURAL ADJUSTMENT PROGRAM

### Improper preparation of report of 1954 acreages

Our review of 50 Form CSS-578's, Report of 1954 reages, disclosed the following deviations from Instruction 1006 (Wheat-54)-1:

1. Only the work sheet copy was signed.
2. Space provided to show the producer's interest in other farms had not been completed.
3. On 46 of the 50 CSS-578's reviewed, all entries were posted by one individual. Instructions provide that specific information on the form shall be entered by the reporter and by clerks in the county office.
4. Corrections were not initialed by the person making them.

According to the chairman of the county committee, these errors could be attributed to inadequate and inexperienced office staff. He stated he would discuss these deficiencies with the present staff to eliminate their recurrence.

### Inadequate control over marketing cards

The control of unissued marketing cards was not adequate. The blank, unsigned cards were not kept in a locked file but were allowed to remain unattended on tables within easy access to unauthorized persons. The chairman of the county committee was unaware of the existing condition and stated he had failed to notice this laxity on the part of the employees.



### Improper procedures for replacing lost marketing cards

We noted three instances where duplicate marketing cards were issued and notices had not been sent to buyers in this and adjacent counties canceling the original cards. No investigation was made when a marketing card was reported lost and a duplicate issued. The county chairman stated he was unaware that any duplicates had been issued and promised to have an office clerk prepare a listing of all cards on which duplicates had been issued, so that the county committee could consider the circumstances in each case and issue cancellation notices on the original cards to the buyers in this and adjacent counties. He stated also that he would instruct the clerks to notify him of all future cases where duplicate cards are issued so that proper action can be taken by the county committee.

### STORAGE ACTIVITIES

#### Failure to properly inspect storage sites

Our review of Form CL-14's, Storage Site Inspection Report, for the period July 1, 1953, through May 31, 1954, revealed that only 6 monthly reports had been prepared. The chairman of the county committee stated that a bin site supervisor who was assigned the task of making inspections was hired in October 1953, therefore inspections were not made during the first 3 months of the fiscal year; also, because of the volume of work caused by takeover, the May 1954 inspection was not made. Although 4 hours were charged to inspections for the month of November 1953, as shown by the PMA Form 496, Claim for Personal Services and Travel, no report for this month was available.

Probe samples of grain in bins were taken in March 1954 or only once during the 6 monthly inspections. The bin site supervisor stated he had not taken samples from bins during his monthly inspections. He stated that when he makes his monthly inspections he checks for insects, heat, and odor. He takes probe samples only when he is in doubt.

#### Failure to compare CL-14's with PMA Form 496's

A comparison of CL-14's with PMA Form 496's, Claims for Personal Services and Travel, revealed the following:

<u>Month</u>	<u>CL-14</u>	<u>PMA-496</u>
November 1953	None submitted	4 hours
December 1953	Reports dated 12/1 and 12/31	0 hours
April 1954	Report dated 4/28/54	0 hours

The Chairman of the county committee stated that the committee had not been reviewing the CL-14's or the PMA-496's and that it had relied on the county office manager. He stated further that the committee would review both reports monthly in the future.

#### Deterioration of surplus bin floors

In our visit to the McPherson County bin site No. 1, we noted a stack of old floors for bins. The bin site supervisor stated these floors were received with the bins transferred to McPherson County during 1953. The floor bottoms are not usable for the storage of wheat and are, therefore, useless to this county. At the present time these surplus bin floors are deteriorating. We recommended that the county office contact the state office for advice as to disposition.

#### Scale operator not bonded and scale tickets improperly prepared

The scale operator was not bonded and the scale tickets did not contain a description of the truck or degree of fill. The bin site supervisor issued instructions to the scale operators to insert a description of the truck and note the degree of fill on all future scale tickets prepared. Subsequent to our visit to the bin site, he displayed an executed copy of CCC Form 271, Statement to Determine Eligibility for Coverage Under the CCC Commercial Blanket Bond, showing the scale operator had been placed under CCC blanket bond. He stated that he was not aware of these requirements.

#### Delays in submitting report on commodity receipts and withdrawals

Our examination, made June 24, 1954, revealed that the most recent Form CL-23A, County Report on (Commodity) Receipts or Withdrawals, was submitted May 15, 1954. CL-23A's had not been submitted for the preceding 45 days, whereas 82,338 bushels of wheat were placed in the bins between May 15 and June 23, 1954. The chairman of the county committee stated that the only reason for the delay was the excessive workload and not enough trained employees to handle the work.

#### Delays in preparation of storage site activity reports and failure of county committee to review reports

CCC Form 5, Storage Site Activity Report, was not prepared on the day that the work was performed. The information from which the CCC-5 was prepared was worked out on work sheets by days by the bin site supervisor. When he had time he completed the CCC-5 and submitted it to the office. The bin site supervisor stated that when grain was moving into a bin site the employees worked from dawn until dark. He felt it would be impractical to require

the daily preparation of the CCC-5's under those conditions. He stated the CCC-5's were about 2 weeks delinquent as of June 23, 1954. The chairman of the county committee agreed with the bin site supervisor. However, the chairman was not familiar with the CCC-5 requirements or form, and he stated the committee had not been reviewing the CCC-5's, leaving this review to the county office manager.

Failure to submit forms for erection of bin sites and grain inventories

The county office failed to submit the required forms to the state and commodity offices for bins accepted and erected. Forms covering physical inventory of commodities at bin sites, due April 30, 1954, had not been submitted as of June 22, 1954. The chairman of the county committee stated that he was aware of these deficiencies and that the committee was making every effort to remedy them.

Lack of evidence in support of negotiations for bin-site leases

Our examination failed to reveal that any documents or memoranda evidencing negotiations of leases for bin sites were retained in the county office files. The chairman of the county committee stated the county committee decided on the general location for the four bin sites. They then surveyed the locations for drainage, convenience to transportation, etc., and then contacted the owners to rent the land. He stated further that no written record was made of their survey.

Failure to collect service charges at time of application for farm-storage facility loans

Until about May 15, 1954, service charges were not collected at the time farm-storage facility loan applications were filed. However, since that time the service fee has been collected at the time of filing loan applications. Effort is being made to collect service charges for loans made before May 15, 1954. It was not until this date that the county committee became aware of the requirement that service charges were to be collected at the time of filing loan applications.

Improper costs included in determining amount of farm-storage facility loans

We noted two cases where the cost of farm-storage facilities under loan did not exclude the cost of permanent foundations for movable structures. As a result, loans were made approximately \$1,068 in excess of the proper amounts. The chairman of the county committee was surprised that these costs had been included and stated that he had approved the commitments relying on the

review of the former chief clerk. He stated he would take the necessary steps to collect the excess amounts loaned.

County office record of loans not in agreement with amounts shown in loan files

Seven cases were noted where the entries on the county office control record, CCC Form 301, County Office Record of Loans, were not in agreement with amounts shown in the loan files. These errors were pointed out to the assistant county office manager who stated that the records would be corrected.

Farm-storage facility loan application approved in blank by committee chairman

We noted one CCC Form 293, Application for Loan on Farm-Storage Facilities, approved in blank by the county committee chairman. He stated this was the only time he had approved a commitment in blank. He stated also that he would not approve blank commitments in the future.

Failure to obtain state committee approval for farm-storage facility loans in excess of \$2,500

The farm-storage facility loan files do not show state ASC committee approval for two loans with principal amounts exceeding \$2,500 on which commitments were issued subsequent to the revised CSS Instruction 666 (Grain-2, Aux. 2, dated February 24, 1954). The chairman of the county committee stated this was an oversight on the part of the county office manager.

Inadequate subsequent warehouse inspections

We noted that the examiner making the reinspections of elevators reported on CCC Form 310, Subsequent Warehouse Examination Report, that he inspected eight elevators in one day. We noted also that the examiner inspected the Continental Grain Company elevator, Galva, Kansas, on March 22, 1954, and submitted report CCC-310 on the same date which stated under item 15 "no apparent danger of deterioration. Conditions and warehouse in good condition." Nine days later, on March 31, 1954, the county office received a letter from the CSS commodity office at Kansas City, Missouri, requesting all loans collateralized by warehouse receipts issued by this elevator be called immediately because the grain was in an "out-of-condition" status. The examiner stated he had not examined the grain but had accepted the statement of the warehouseman.

WASHINGTON ASC COUNTY OFFICE

GENERAL SURVEY

Inadequate control over collection register

Our audit disclosed that books of PMA Form 592's, Receipt, which provide a collection register, were not filed in a systematic manner. Used books were found uncontrolled on top of file cabinets. The matter was discussed with the office manager who stated that appropriate action would be taken in the near future.

Infrequent visits by farmer fieldman

We were told by the committee chairman and office manager that the farmer fieldman visits the county office on an average of 1 day every 5 or 6 weeks. The county office officials feel that the fieldman should visit the office a minimum of once every 3 weeks. They stated that the fieldman is capable and very helpful to them when he is at the office but his visits are too infrequent.

GRAIN PRICE-SUPPORT PROGRAMS

Improperly prepared farm-storage and warehouse-storage work sheets

Our examination of 16 Form Cl-3A's, Farm-Storage Work Sheet, disclosed that 4 were not properly prepared, as follows:

1. The date of approval was omitted in section I on four forms.
2. A county office representative failed to sign section I certifying the eligibility of the producer on two of the forms.

According to the county office manager, these errors resulted from an oversight on the part of county office employees.

A county office representative failed to sign section I on two Form CL-3B's, Warehouse-Storage Work Sheet. According to the county office manager, these errors resulted from an oversight on the part of county office employees.

Delays in recording chattel mortgages

Our examination of 16 Form Cl-AA's, Commodity Chattel Mortgage, disclosed that 11 were not promptly recorded or properly prepared, as follows:

1. Ten chattel mortgages were recorded 2 to 39 days after the approval of the loan.
2. One chattel mortgage was not dated.

The CL&P Handbook, Part II, Section III E-2, requires that the chattel mortgage, properly signed and acknowledged, be submitted to the county recording official for recording on the same day the loan is approved by the county committee. The county office manager stated that the heavy workload prevented the prompt recording of the mortgages.

#### Failure to maintain record of lien searches

There is no record maintained in the county office showing that lien searches were made. This matter was discussed with the county office manager who stated that in the future a record of lien searches would be maintained.

#### Delays in transmitting service charges to state office

Service charges collected on 6 loans and 1 purchase agreement were transmitted to the state office 3 to 30 days after the service charges were received in the county office. The CL&P Handbook, Part II, Section VII, E-1, requires that the service charges be mailed immediately to the state committee. The county office manager stated that the heavy workload prevented them from promptly transmitting such service charges.

#### Delays in reporting service charges to county office

Lending agencies reported service charges collected to the county office 13 to 30 days after the loan was disbursed. According to the loan clerk, no action has been taken to assure that lending agencies promptly report loan transactions.

#### Inadequate follow-up of unauthorized use of loan collateral

The county committee did not follow the prescribed procedures when a reinspection disclosed that part of the collateral under loan was used as seed by the producer. On November 19, 1953, a reinspection revealed a shortage of loan collateral. The county committee on November 20, 1953, in a letter to the borrower requested payment for that portion of the collateral used as seed. The lending agency was also notified of the shortage on November 20. After several attempts by the chairman of the county committee to effect a complete settlement had failed, a special inspection was made. On February 11, 1954, 3 months after detection of the shortage, Form CL-11, Farm-Stored Commodities Reinspection Report, was

prepared recommending that the loan be called. A Form CL-8, Report on Debtor, was not prepared. The instructions for handling cases where there has been unauthorized removal of collateral prescribe that a CL-11 should be prepared stating the county office's recommendations and forwarded to the state office. If the state office concurs with the county's recommendation for calling the loan, arrangement should be made with the lending agency to acquire possession of the note. If the loan is called, and settlement is not made within 10 days, then a CL-8 should be prepared. If the county committee feels that the producer had converted the grain with the intent to defraud the Government, then a CL-8 stating all the facts should be prepared immediately and forwarded to the state office.

#### Delays in completing loan settlement documents

Our examination disclosed numerous instances where Form CL-7's, Loan Settlement, were not promptly prepared or transmitted to the CSS commodity office immediately under cover of Form CL-62, Loan Document Transmittal, as required by the CL&P Handbook, Part IV, Section III G-3. At the time of our audit, July 14, 1954, deliveries of 1953 crop wheat had been completed as of June 30, 1954, and CL-7's were in the process of being prepared and completed. The county office manager stated that the loan settlements were being completed as quickly as possible.

#### Failure to correct an erroneous loan settlement

An amount due a producer was erroneously computed on the CL-7. The error was called to the attention of the county office by the commodity office in letters dated April 22, 1954, and June 21, 1954. The letter of June 21, 1954, contained a statement of account showing exactly how the settlement should have been computed. However, corrections had not been made as of July 14, 1954. We brought this error to the attention of the county office manager who informed us that corrections would be made.

#### Delays in forwarding unsettled warehouse loan documents to commodity office

Our examination disclosed numerous instances where unsettled warehouse loan documents and receipts were not forwarded immediately upon maturity of loans to the CSS commodity office in accordance with the CL&P Handbook, Part IV, Section II C-3. Most of the warehouse loans were forfeited and the loan documents were received in the county office at approximately the same time, April 30, 1954. The documents were transmitted to the CSS commodity office approximately 1 month after maturity. According to the county office manager, the loan documents and receipts were checked at the county office which resulted in the delay.

### Delays in depositing receipts

We noted 3 instances where remittances received in the county office were held for 12 days before they were deposited. The Kansas County Administrative Manual, Title IV A, page 65, states that in no case shall remittances received in the county office be held longer than 7 days. The county office manager stated that the heavy workload prevented them from depositing receipts promptly.

### Delays in completing reports on commodity receipts pending completion of loan settlements

We noted that the county office had deferred the completion of the Form CL-23A's, County Report on (Commodity) Receipts or Withdrawals, as to the quantity and quality of collateral delivered pending the completion of loan settlement documents. The CL&P Handbook prescribes that the receipts of forfeited loan collateral shall be reported on Form CL-23A upon determination of grades and completion of delivery documents, and that such reports shall not be delayed for completion of settlement documents.

### Custody file not kept current

Three paid notes were not removed from the custody file.

### Inaccurate county office record of loans

Form CL-4's, County Office Record of Loans, were not posted currently or correctly, as follows:

1. The date of disbursement was not posted for corn loan No. 49-101-468A.
2. One corn loan was posted twice under loan Nos. 49-101-688A and 49-101-668A.
3. The date the note was purchased by CCC was not posted in several instances.
4. The full date was not shown in all cases, i.e., the year was omitted.
5. The date and amount of loan collateral delivered was not posted for eight loans examined.
6. The date indicated on Form CL-5, Lending Agency Service Charge Transmittal, instead of the date the draft or check was received in the county office was posted to column 5 as required by the CL&P Handbook, Part VI, Section III, C 2.



7. The disbursement date of corn loan No. 49-101-453A was posted incorrectly.
8. The dates the warehouse loans were liquidated by forfeiture were posted from Form CL-63, Lending Agency's Letter of Transmittal of Loans, instead of Form CL-62, Loan Document Transmittal, as required by the CL&P Handbook, Part VI, Section III, G.
9. Liquidation dates were not posted to the CL-4 in all instances.

We called the errors to the attention of the loan clerk who stated that the appropriate corrections would be made.

Inaccurate cumulative report of commodity loans and purchase agreements

Our examination of Form CL-4A, Monthly Cumulative Report of Commodity Loan and Purchase Agreement Activity From Inception of Program to Date, for wheat as of June 15, 1954, disclosed that the report failed to correctly summarize loan and purchase agreement data. The following data were reported incorrectly:

1. The number of loan applications.
2. The quantity covered under purchase agreement.
3. The number and quantity of 1952 extended reseal loans.
4. The number and quantity of 1953 resealed loans.
5. The number of 1953 farm-stored loans not liquidated or resealed.
6. The quantity of farm-stored loans disbursed.
7. The quantity and amount of farm-stored loans liquidated by forfeiture, delivery, or loss.
8. The quantity and amount of farm-stored loans outstanding.
9. The number, quantity, and amount of warehouse-stored loans disbursed.
10. The quantity of warehouse-stored loans liquidated by forfeiture, delivery, or loss.

We called the above errors to the attention of the loan clerk who stated that the records would be corrected and completely rechecked prior to the preparation of the next monthly CL-4A.

## STORAGE ACTIVITIES

### Incomplete storage site inspection reports

In our opinion, the Form CL-14's, Storage Site Inspection Report, which were prepared and submitted by the former bin site supervisor for each month from July 1953 through May 1954 were reasonably accurate for the items reported. However, the condition of equipment was not shown on any of the reports and the condition of the grain was not shown on numerous reports indicating that inspections in these respects were not made. The supervisor who prepared these reports was discharged for inefficiency. The reports submitted by the new supervisor for the month of June 1954 were completely prepared and, in our opinion, reasonably accurate.

### Inaccurate storage site inspection report

The sample of wheat taken by us from bin No. 122944 at the Palmer bin site July 6, 1954, was found by the grain inspector to contain "light weevil." This condition was not shown on the June CL-14. This matter was discussed with the chairman of the county committee and the bin site supervisor who stated that the weevil condition either developed after their inspection which was made June 17, 1954, or was overlooked by the inspector. They stated that the wheat would be fumigated within a week.

### Lack of control over scale ticket books

Control over books of scale tickets was not maintained in accordance with the county administrative manual, which requires that a record be maintained of all such books received, issued, and returned to the county office. The office maintained a record of the scale ticket books issued and the books returned, but no record was kept of the books received from the state office or those on hand in the county office. This matter was discussed with the office manager who stated that such control would be established as soon as possible.

### Improper sampling of grain

CS&M Handbook, Part I, Section III E, requires that probe samples be taken from at least five different places in the grain mass of each load of grain delivered to the bin sites for storage in order to get representative samples of the grain for testing. According to the bin site supervisor, the site attendants obtain samples of grain by:

1. Catching grain in a cup or bucket as it pours from the truck by inserting the cup into the grain stream four or five times.
2. Occasionally dipping into one place in the grain mass.

This matter was discussed with the chairman of the county committee who stated that he would instruct the bin site attendants to take probe samples of all grain delivered in the future in accordance with instructions. He stated that he was not aware of the fact that samples were being taken by the dipping method but had not objected to the other method used, since it saved a considerable amount of time and the samples thus obtained were fairly representative.

Incomplete storage site activity reports  
and failure of county committee  
to review reports

Activity reports, CCC Form 5's, Storage Site Activity Report, were not always prepared in accordance with instructions. The following irregularities were noted:

1. State, county, site number and location, time of arrival, and time of leaving the bin site were not always shown.
2. The quantity received was not always shown.
3. The extent of fill of the bins listed before and after the receipts was not always shown.
4. There was little evidence that the reports were reviewed at the county office.

These deficiencies were discussed with the chairman and the county office manager who stated that the reports were "reviewed as time permitted." They stated also that the former bin site supervisor was discharged because of inefficiency, primarily for the inadequacy of his reports, as of May 30, 1954. The activity reports submitted by the new supervisor for the month of June 1954 were properly prepared and submitted to the county office daily.

Lack of control over bin seals

We noted that Government seals for sealing storage structures at bin sites were not controlled. The chairman of the county committee and office manager stated that in the future seals would be issued to the bin site supervisor only, who would in turn issue them to designated personnel.

Lack of evidence in support of negotiations for bin-site leases

There were no records of negotiations in connection with bin-site leases on file in the county office. The chairman stated that the terms of the leases were negotiated and the leases were considered sufficient records of negotiation at that time. He stated that the three leases that will expire in the near future will be reviewed in accordance with instructions contained in CS&M Handbook.

Lack of evidence in farm-storage facility loan files regarding searches for prior liens and payment of costs in excess of loans

Our examination of farm-storage facility loans disclosed the following deficiencies:

1. No evidence of searches made for prior liens.
2. Of the nine loans examined only one receipted invoice was on file showing that the difference between the cost of the structure and the amount of the loan had been paid. In the other eight cases examined there were no receipted bills or other satisfactory evidence of the cost of the facility or payment of the cost in excess of the amount of the loan.

We discussed these items with the county office manager who stated that a search was made for prior liens in each case prior to approval of the loan. However, a record of such search was not recorded because the committee did not consider such a record necessary since the facilities were bought new in all cases. She stated that such records would be made in the future. With regard to receipted invoices for the cost and payment of the difference in the cost and the loan amount, both the committee chairman and the county office manager stated that such invoices had been obtained but were misplaced or lost. However, a review of the loan folders for loans made in 1953 disclosed that receipted invoices were on file.

Farm-storage facility loans in excess of prescribed maximum

The following farm-storage facility loans were made at amounts computed on the basis of 85 percent of the cost of the facilities rather than 45 cents per bushel capacity. Since the latter basis would have resulted in a smaller loan, that basis should have been used had CSS instructions been complied with.

<u>Producer</u>	<u>Loan number</u>	<u>Amount of loan</u>	<u>Rated capacity</u>	45¢ a bushel <u>rated capacity</u>	<u>Excess amount of loan</u>
		\$318.75	650	\$292.50	\$26.25
		325.12	650	292.50	32.62

According to the county office manager, computations were not made on the basis of 45 cents a bushel rated capacity due to an oversight.

Facilities under loan not covered by insurance

Our examination of farm-storage facility loans disbursed during 1951 and 1952 disclosed that facilities under loans were not covered by insurance. Insurance on these facilities (less than \$1,000) was not required at that time. However, CS&M Handbook, Part V, Bulletin 1, Supplement 2 (Kansas), dated November 6, 1952, requires insurance on all facilities, regardless of amount, for the life of the loan. As a result of the state office auditor's recommendations, Report of Audit for the period June 30, 1952, to June 4, 1954, the county office manager stated that insurance will be required on all facilities under loan, including old loans, as soon as possible. A review of loans made in 1953 indicated that all facilities were insured as required.

Failure to notify borrowers of installments due and inadequate follow-up of delinquent installments

The following three farm-storage facility loan installment payments were delinquent.

<u>Borrower</u>	<u>Loan number</u>	<u>Amount</u>
		\$76.50
		58.59
		66.30

The above installments were due January 31, 1954. None of the borrowers were notified 30 days in advance of the due date of the installments as required by 666(Grain)-2, VI G. The only collection action of record prior to our visits to the county office was a letter to the borrower (loan No. ), dated April 3, 1954, demanding payment of the installment. We accompanied the chairman of the county committee to the borrower's farm. The chairman discussed the delinquency with the borrower who promised to pay the installment by July 25, 1954. There was no evidence in the files to indicate that payment of the delinquencies of the other two borrowers had been requested by the county office. The chairman stated that such action had not been taken because of oversight on his part and the workload in the county office. He stated further that he would contact the two borrowers by July 21, 1954, and, if satisfactory arrangements for payment of the installments could not be had, he would recommend that the state committee call the loans.

Unauthorized use of facility under loan

During our visit to the farm of the borrower (loan No. ) on July 12, 1954, we noted that commercial feeds and oats for feeding livestock were stored in the facility under loan.

The borrower stated that he did not know that the facility was to be used only for storage of farm-grown grain as required by 666 (Grain)-2, Bulletin 2, D; consequently, no request for approval of excepted use was made of the county committee as required.

#### Inaccurate county office record of loans

A review of the entries in the county office control record CCC Form 301, County Office Record of Loans, disclosed the following discrepancies with regard to farm-storage facility loans.

1. The dates service charges were collected were not shown.
2. The amount of loan commitment was erroneously shown (all cases).
3. The amount disbursed was not shown for any loan.
4. The anniversary dates of the loan were not shown in any case.
5. The amount of outstanding principal was shown in the record of payments column instead of the amount paid.
6. The dates payments were made were not shown.
7. Dates to which interest was paid were not shown.
8. In no case did the record show that a deficiency was transferred to the debt register.

The reasons given by the county office manager for the deficiencies listed above were:

1. Misinterpretation of procedures.
2. Failure on the part of the clerk to read and apply procedures.
3. Failure on the part of the office manager to review the records.

The county office manager stated that the entire record will be completely revised to meet with procedural requirements as soon as possible.

#### Failure to renew mortgages

According to Kansas CS and M letter number 1, dated July 31, 1951, the Kansas state law requires mortgages to be renewed within the period of 30 days immediately prior to the second anniversary (recording date) of the loan. Mortgages covering two loans on farm-storage facilities had not been renewed. Another mortgage

was not renewed within the time required. According to the chairman of the county committee, the mortgages were not renewed because of an oversight. He stated that the mortgages would be renewed immediately.

SALES AND DISPOSITIONS

Sales not promptly reported on county report of commodity withdrawals

Part VII, A, 4 of 667(Grain)-1, CS&M Handbook, states: "The original Form CL-23A shall be submitted immediately to the PMA commodity office and the first carbon copy forwarded to the state PMA committee." Six sales were not promptly recorded on Form CL-23A, County Report on (Commodity) Receipts and Withdrawals.

<u>CL-23A number</u>	<u>CL-23A date</u>	<u>Date of sale</u>	<u>Delay</u>
1. 376	1-22-54	1-19-54	3 days
2. 377	2- 7-54	1- 5-54	33 "
3. 339	10-14-53	8-12-53	63 "
4. 344	2- 7-54	1- 5-54	33 "
5. 339	2- 7-54	1-27-54	11 "
6. 362	11- 6-53	8- 6-53	90 "

The county office manager stated that the delays on items 1 to 4 resulted from the heavy workload. On items 5 and 6 the scale operators failed to collect the correct amount of sales proceeds due to errors in computations. Submission of CL-23A's was delayed until the correct amounts were received.

Delays in depositing sales proceeds

The Kansas County Administrative Manual, Title V, A, page 65, states: "Disposition of all collections should be made on the day they are received and in no case held longer than 7 days in the county office." Significant delays in depositing sales proceeds with the Federal Reserve Bank using Form CCC-257, Schedule of deposit, were noted during our examination, as follows:

<u>CCC-257 number</u>	<u>CCC-257 date</u>	<u>Date of receipt</u>	<u>Delay</u>
1. 77	2- 7-54	1- 5-54	33 days
2. 17	10-15-53	8-12-53	64 "
3. 75	2- 7-54	1-27-54	11 "
4. 28	11- 6-53	10-25-53	12 "

On items 1 and 2 the county office manager stated that the delays resulted from the heavy workload and on items 3 and 4 the manager stated that, since the scale operators failed to collect the correct amount of sales proceeds due to errors in computations, the deposits were delayed until the correct amounts were received.