

United States General Accounting Office Washington, DC 20548 Accounting and Information Management Division

B-286010

August 22, 2000

The Honorable Dan Glickman The Secretary of Agriculture

Subject: <u>Credit Reform: Improving Rural Development's Credit Program</u> <u>Cost Estimates</u>

Dear Mr. Secretary:

This letter and the attached briefing slides are the third in a series of status reports on the Rural Development (RD) mission area's progress in improving its credit program cost estimates under credit reform. Until RD makes significant progress in developing well supported, reasonable estimates of its credit program costs, an unqualified audit opinion on the Department of Agriculture's (USDA) consolidated financial statements will not be possible. Furthermore, since USDA is the largest direct lender in the federal government and the credit program amounts are material, USDA's inability to properly implement credit reform will continue to contribute to our inability to give an unqualified audit opinion on the consolidated financial statements of the U.S. government.

Therefore, since April 1999, we have assessed RD's credit reform implementation efforts in such areas as (1) identifying key cash flow assumptions, (2) improving cash flow models, (3) assessing cash flow model data, and (4) implementing other procedures to enhance the credit subsidy estimation process. As part of this effort, we have provided regular briefings to USDA's Executive Steering Committee for Credit Reform Implementation. Shortly after our first briefing in June 1999, the USDA credit reform task force developed a detailed implementation plan to guide the agency through its efforts to improve its credit program cost estimates. Today, we briefed the Steering Committee on (1) the status of RD's efforts to implement procedures from the plan and (2) recommendations designed to make the necessary improvements to RD's cost estimates in a more timely manner.

### <u>Results in Brief</u>

Overall, the task force has made some progress in addressing the deficiencies related to reasonably estimating the cost of RD's credit programs. Progress made since our last briefing to the Steering Committee on December 16, 1999, includes updating

sensitivity analyses<sup>1</sup> and completing new cash flow models for the non-housing direct and guaranteed loan programs. However, several milestone dates from the plan were missed because of a shortage in both the staff and funding resources USDA devoted to resolving long-standing credit reform weaknesses. Inadequate resources hampered progress in critical areas, such as assessing the quality of the data used to estimate future loan performance and developing a new cash flow model based on available data to estimate the cost of the housing direct loan programs. As a result, RD continues to have limited assurance that credit program costs estimates are reasonable. While oversight for credit reform implementation efforts falls under the guidance of the USDA Executive Steering Committee for Credit Reform Implementation, the Steering Committee as a whole has had little direct involvement in overseeing progress to improve RD's credit program cost estimates.

## **Background**

Prior to the implementation of the Federal Credit Reform Act (FCRA) of 1990, credit programs, like other federal programs, were reported in the budget on a cash basis. Thus, loan guarantees appeared to be free while direct loans appeared to be as expensive as grants in a given budget year. FCRA and the related accounting standard, Statement of Federal Financial Accounting Standards (SFFAS) No. 2,<sup>2</sup> Accounting for Direct Loans and Loan Guarantees, together known as credit reform, were established to more accurately measure the government's costs of federal credit programs and to permit better comparisons both among credit programs and between credit and noncredit programs. When the Federal Accounting Standards Advisory Board (FASAB)<sup>3</sup> developed SFFAS No. 2, it recognized that financial accounting should support the budget and that accounting standards for credit reform should be consistent with the budgeting under credit reform. This mirroring provides more assurance through the financial statement audit that credit program budget estimates are reasonable since the estimates should be calculated with the same data and same process. However, without consistency between the data and processes used to prepare credit program cost estimates for the financial statements and budget, this assurance cannot be fully achieved.

As part of implementing credit reform, agencies are required to estimate the net cost of extending or guaranteeing credit—generally referred to as the subsidy cost—based

<sup>&</sup>lt;sup>1</sup>Sensitivity analysis is a process used to identify the assumptions that, when adjusted, have the greatest impact on the credit subsidy estimate.

<sup>&</sup>lt;sup>2</sup>SFFAS No. 2 was amended by SFFAS No. 18, *Amendments to Accounting Standards For Direct Loans and Loan Guarantees.* The objective of the amendments was to improve financial reporting for subsidy costs and performance of federal credit programs.

<sup>&</sup>lt;sup>3</sup>FASAB was created by the Office of Management and Budget, Treasury, and GAO to develop and recommend accounting principles for the federal government. These three agencies approved SFFAS No. 2, *Accounting for Direct Loans and Loan Guarantees*, in July 1993.

on the present value<sup>4</sup> of estimated net cash flows excluding administrative costs. Because credit program cost estimates are based on estimated cash flows, agencies have to be able to predict borrower behavior–how many borrowers will pay early, pay late, or default on their loans and at what point in time. Generally, the best predictor of borrower behavior is prior historical data adjusted for expected changes in future economic events. However, alternative data sources including informed opinion<sup>5</sup> or proxy data<sup>6</sup> may be used in certain limited instances on a temporary basis to estimate future cash flows in the absence of adequate historical data. Agencies use historical information, or alternative data sources if necessary, and sophisticated computer models, known as cash flow models, to estimate the cost of a credit program.

As we previously reported to your office,<sup>7</sup> RD has received a qualified opinion on its financial statements since 1994, due in part to its inability to reasonably estimate its credit programs' costs. RD's problems implementing credit reform, among other things, have also prevented USDA from achieving an unqualified audit opinion on its consolidated financial statements. This long-standing problem is attributable, in part, to a lack of adequate historical data, which resulted largely from system inadequacies. For example, prior to the implementation of credit reform, USDA systems did not track certain key cash flow data critical to estimating the cost of a credit program. These problems also raise concerns over the integrity of RD's credit program budgetary data because the same cost estimates are generally used for both budget preparation and financial reporting.

Previous efforts to effectively implement credit reform at RD have had limited success. In response to the Inspector General's (IG) audit findings, USDA organized a task force and developed a detailed implementation plan.<sup>8</sup> The plan includes procedures to (1) identify key cash flow assumptions, (2) improve cash flow models, (3) assess cash flow model data, and (4) implement other procedures to enhance RD's credit subsidy estimation process. The plan also includes points of contact for many procedures as well as some milestone dates.

Beginning in April 1999, we have assessed RD's efforts to improve its credit program cost estimates under credit reform. Since our December 1999, briefing to the Steering Committee, the task force has primarily focused on RD's non-housing direct

<sup>6</sup>Proxy data refer to data from other credit programs that have borrowers with similar characteristics, such as socioeconomic status, education, or geographic distinctions.

<sup>7</sup>Correspondence dated June 25, 1999, to the Deputy Secretary, Department of Agriculture.

<sup>8</sup>The detailed credit reform implementation plan included most of the procedures outlined in our June 16, 1999, briefing to the USDA Executive Steering Committee for Credit Reform Implementation.

<sup>&</sup>lt;sup>4</sup>Present value is the worth of a future stream of returns or costs in terms of money paid immediately. In calculating present value, prevailing interest rates provide the basis for converting future amounts into their "money now" equivalents.

<sup>&</sup>lt;sup>5</sup>Informed opinion refers to the judgment of agency staff or others who make subsidy estimates based on their programmatic knowledge and/or experience.

loan programs and the guaranteed loan programs, which RD reported at \$40.9 billion and \$11.6 billion, respectively, as of September 30, 1999. The task force is focusing secondarily on the direct housing loan programs, which RD reported at \$28.5 billion as of September 30, 1999. The task force has focused on the largest programs within each loan program type that are significant to both the agency's financial statements and budget to ensure the new procedures' maximum effectiveness in improving the reasonableness of the overall cost estimates of RD's credit programs.

## Scope and Methodology

We evaluated RD's progress since our last briefing to the Steering Committee on December 16, 1999, in completing procedures by the related milestone dates included in the credit reform implementation plan. We participated in weekly status meetings of the task force and discussed RD's progress with numerous agency representatives throughout the process.

We assessed RD's implementation efforts based on procedures in the FASAB Accounting and Auditing Policy Committee's Technical Release, *Preparing and Auditing Direct Loan and Loan Guarantee Subsidies Under the Federal Credit Reform Act*, as well as procedures designed to assist other credit agencies in successfully implementing credit reform. These efforts were in four areas: (1) identifying key cash flow assumptions, (2) improving cash flow models, (3) assessing cash flow model data, and (4) implementing other procedures to enhance credit subsidy estimates.

Specifically, to identify key cash flow assumptions, we assessed RD's approach to sensitivity analysis to determine whether RD used a systematic, nonjudgmental and well documented process. We reviewed cash flow models as they were developed, identified and communicated formula errors, and subsequently reviewed RD's revisions to the cash flow models. We also reviewed cash flow models to determine whether they reasonably represented the cash flows of the loan programs based on the laws and regulations that govern them. To assess cash flow model data, we worked with the USDA IG to develop a statistically valid sampling approach that the USDA IG and we will use to test the reliability of data supporting the key cash flow assumptions of USDA's credit programs. Lastly, as RD implemented other procedures to enhance credit subsidy estimates, we reviewed and conveyed potential improvements to the documentation of cash flow assumptions and cash flow models.

We conducted our work in Washington, D.C., from January 2000 through August 2000 in accordance with generally accepted government auditing standards. We requested comments on a draft of our briefing slides and letter from cognizant RD budget and finance office officials and officials from USDA's Office of the Chief Financial Officer (OCFO). On August 17, 2000, RD and OCFO officials provided us with oral comments, which are discussed in the "Agency Comments" section. The enclosed briefing slides highlight the results of our work and the information we provided during the briefing.

## <u>Further Improvements Are Needed to Ensure That</u> <u>Credit Subsidy Estimates Are Reasonable</u>

Since December 1999, some procedures included in the implementation plan have been completed or are currently in process to address deficiencies in estimating the costs of RD's credit programs. However, a shortage in both the staff and funding resources USDA devoted to resolving credit reform weaknesses has continued to hamper timely progress in properly addressing credit reform implementation problems. As a result, numerous key procedures included in the plan remain incomplete, and several milestone dates were missed. Most of the procedures not yet completed relate to (1) improving the cost estimates for the guaranteed and housing direct loan programs and (2) developing written policies and procedures for calculating credit program cost estimates for all three program types: non-housing direct, guaranteed, and housing direct loan programs.

Until RD makes significant progress in implementing the remaining key procedures in the plan, RD will continue to lack an adequate process to develop well supported, reasonable estimates of credit program costs. As a result, financial statements and budget estimates could be misstated. Due to the magnitude of RD's credit programs, an unqualified audit opinion on USDA's consolidated financial statements will not be possible without the successful implementation of credit reform. Because USDA is the largest direct lender in the federal government, proper implementation of credit reform is material to the consolidated financial statements of the U.S. government. USDA's deficiencies in this area will also continue to contribute to our inability to give an unqualified audit opinion on the consolidated financial statements of the U.S. government.

The following sections summarize the status of key procedures outlined in USDA's detailed implementation plan related to RD's non-housing direct, guaranteed, and housing direct loan programs. The status of procedures that relate to all RD's loan program types is also presented.

## Non-Housing Direct Loan Programs

As of December 1999, the implementation plan included six key procedures not yet completed for the non-housing direct loan programs. Table 1 summarizes the established milestone dates from the plan and the current status of these six procedures. Since December, RD has completed three of these procedures, two are in process, and one procedure was not yet started. Delays in completing the new cash flow model significantly hampered progress in other areas.

Table 1: Status of Non-housing	<b>Direct Loan Program Procedures</b>	3
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Procedure	Original due date (if any)	Revised due date (if any)	Current status
Finalize new cash flow model			Completed May 2000
Perform sensitivity analyses to identify key cash flow assumptions			Completed June 2000
Document cash flow assumptions	Sept. 1999		Completed July 2000
Assess cash flow model data reliability	April 2000	Aug. 2000	In process
Document cash flow model	Sept. 1999		In process
Compare estimated to actual cash flows	Aug. 1999		Not started

The three procedures that were completed relate to developing a new cash flow model, performing sensitivity analyses, and documenting cash flow assumptions. The new cash flow model to estimate the cost of RD's non-housing direct loan programs was completed and reviewed. During the review process, several refinements were implemented. After the cash flow model was revised and completed, sensitivity analyses were updated and documented by RD staff to identify the key cash flow assumptions. These assumptions include the average borrower interest rate and loan term. Finally, the cash flow assumptions were documented, including data sources and calculation methods.

The two procedures currently in process are assessing cash flow model data and documenting the cash flow model. To ensure that cost estimates are based on reliable data, planning for data reliability tests was completed to determine if accounting system data used as support for key cash flow assumptions are reliable. The data reliability tests for the key cash flow assumptions are currently in process. If these data are determined to be unreliable, it may be necessary to (1) adjust the values of cash flow assumptions, (2) identify alternative data sources, and/or (3) revise the cash flow model. In addition, documentation of the logic flow and mechanics of the cash flow model is in process. This documentation was reviewed and is currently being revised.

The procedure in the plan that was not started involves comparing estimated to actual cash flows. This comparison allows an agency to identify and determine if significant differences exist and whether assumptions related to future loan performance need to be revised.

### Guaranteed Loan Programs

As of December 1999, the implementation plan included six key procedures not yet completed for the guaranteed loan programs. Table 2 summarizes the established milestone dates from the plan and the current status of these six procedures. Since

December, RD has completed one of these procedures, four are in process, and one procedure has not yet been started.

Procedure	Original due date (if any)	Revised due date (if any)	Current status
Finalize new cash flow model	July 2000		Completed Aug. 2000
Document cash flow model	Sept. 2000		In process
Document cash flow assumptions	Sept. 2000		In process
Perform sensitivity analyses to identify key cash flow assumptions	Aug. 2000		In process
Assess cash flow model data reliability	Aug. 2000		In process
Compare estimated to actual cash flows			Not started

Table 2: Status of Guaranteed Loan Program Procedures

The one completed procedure relates to developing a new cash flow model to estimate the cost of RD's guaranteed loan programs based on available data from the accounting system. This new cash flow model was reviewed and tested to ensure that calculations worked as intended. During the model development, regulatory and legislative requirements were considered to ensure that it reasonably represents the cash flows of the loan programs based on the laws and regulations that govern them.

The four procedures currently in process relate to (1) documenting the new cash flow model, (2) documenting the cash flow assumptions, (3) performing sensitivity analyses, and (4) assessing the reliability of cash flow model data. As the new cash flow model was developed, its logic flow and mechanics were documented and are currently being reviewed and revised for model refinements. RD staff are documenting the cash flow assumptions, including the data sources and calculation methods. After the cash flow model was finalized, RD staff performed sensitivity analyses to identify the key cash flow assumptions and are reviewing the results. Once the key cash flow assumptions are identified, tests may be performed to determine if accounting system data used as support for these assumptions are reliable. These tests are needed to ensure that cost estimates are based on reliable data. If these data are determined to be unreliable, it may be necessary to (1) adjust the values of cash flow model. Planning for data reliability tests was completed, and RD staff are scheduled to begin conducting these tests this fiscal year.

The procedure that was not started involves comparing estimated to actual cash flows. This comparison allows an agency to identify and determine if significant differences exist and whether assumptions related to future loan performance need to be revised. A milestone date was not established for this procedure.

## Housing Direct Loan Programs

As of December 1999, the implementation plan included eight key procedures not yet completed for the housing direct loan programs. Table 3 summarizes the established milestone dates from the plan and the current status of these eight procedures. RD currently has one of these procedures in process, and seven procedures were not yet started. For the seven procedures for which no progress was made, completing six of them depends on developing a new cash flow model<sup>9</sup> based on available data to estimate the cost of these loan programs. However, development of the new cash flow model was not started. Due to the magnitude of these loan programs, it would be unlikely that RD or USDA could receive an unqualified audit opinion unless and until a new cash flow model is developed. Therefore, the development of the new cash flow model is critical for RD.

Procedure	Original due date (if any)	Revised due date (if any)	Current status
Assess existing cash flow data	July 2000		In process
Develop new cash flow model	May 2001		Not started
Ensure cash flow model represents regulatory requirements	May 2001 <sup>10</sup>		Not started
Document cash flow model	May 2001 <sup>10</sup>		Not started
Perform sensitivity analyses to identify key cash flow assumptions	May 2001 <sup>10</sup>		Not started
Document cash flow assumptions	May 2001 <sup>10</sup>		Not started
Assess cash flow model data reliability			Not started
Compare estimated to actual cash flows			Not started

#### Table 3: Status of Housing Direct Loan Program Procedures

The procedure currently in process is assessing the cash flow data in the accounting systems. An outside contractor was hired to analyze existing cash flow data for the housing direct loan programs to determine if the systems contain the appropriate data to reasonably estimate future loan performance and identify alternative data sources, if necessary. This analysis is necessary prior to developing the new cash flow model for RD's housing direct loan programs to ensure that the cash flow model is based on available data. Once the results of the outside contractor's analysis are known, it may be necessary to temporarily use alternative data sources for cost

<sup>&</sup>lt;sup>9</sup>The cash flow model currently used to estimate the cost of the housing direct loan programs includes several cash flow assumptions that RD was unable to adequately support.

<sup>&</sup>lt;sup>10</sup>The due date for this procedure is presented in the plan as being completed with the development of the new housing direct cash flow model, which is presented as being completed by contractors. However, there currently is no contract for this work and no funds were provided for these purposes.

estimates and develop and prioritize system change requests to ensure that in the future, accounting systems provide all essential data to estimate future loan performance.

As previously mentioned, the new cash flow model has yet to be developed. The plan proposes developing the cash flow model and completing several other procedures, including performing sensitivity analyses and documenting the cash flow model and assumptions, with the assistance of outside contractors. However, there currently is no contract for this work and no funds were provided for these purposes. While developing the cash flow model, it will be necessary to ensure that it reasonably represents the cash flows of the loan programs based on the laws and regulations that govern them. Once the cash flow model is completed, it will then be possible to complete other key procedures—including documenting the cash flow model's logic flow and mechanics; performing sensitivity analyses to identify the key cash flow assumptions; and documenting the cash flow assumptions, including data sources and calculation methods. Since the plan presents these procedures as being completed under the contract to develop the new cash flow model, the milestone date for all these procedures is May 2001.

The plan also calls for data reliability tests to determine if accounting system data used as support for key cash flow assumptions are reliable. If these data are determined to be unreliable, it may be necessary to (1) adjust the values of cash flow assumptions, (2) identify alternative data sources, and/or (3) revise the cash flow model. Finally, the plan calls for comparing estimated to actual cash flows. This comparison allows an agency to identify and determine if significant differences exist and whether assumptions related to future loan performance need to be revised. Completing these procedures also depends on completing the new cash flow model. To date, no progress was made in these areas and no milestone dates were established.

### Procedures Related to All Loan Programs

As of December 1999, the implementation plan included five key procedures not yet completed that relate to improving RD's overall credit subsidy estimation process. Table 4 summarizes the established milestone dates from the plan and the current status of these five procedures. Since December, RD has completed one of these procedures, one is in process, and three procedures have not yet been started.

Table 4: Status of Procedures Related to All Loan Programs

Procedure	Original due date (if any)	Revised due date (if any)	Current status
Hire additional staff			Completed May 2000
Resolve reestimate issues with OMB	March 2000		In process
Develop policies and procedures for calculating estimates of credit program costs	Feb. 2000		Not started
Implement procedures to automate the estimation process			Not started
Conduct "lessons learned" sessions with HUD regarding the balances approach	Sept. 1999	Jan. 2000	Not started <sup>11</sup>

The procedure that RD completed in this area is the hiring of additional staff to assist with efforts to implement credit reform. The procedure currently in process is resolving the timing and frequency of reestimate issues with the Office of Management and Budget (OMB).

Three other procedures related to all loan program types have not yet been started. The first is developing written policies and procedures for calculating credit program cost estimates, including a formal supervisory review process and a process to ensure that key cash flow assumptions are reviewed and approved by budget, accounting, and program offices. The second is developing and implementing procedures to automate the credit subsidy estimation process to reduce workloads and the chance of data entry errors. These procedures could include (1) centralizing input sections by program instead of by cohort<sup>12</sup> and (2) linking data files to cash flow model input sections. Finally, RD has yet to hold "lessons learned" sessions with the Department of Housing and Urban Development (HUD) staff to understand how they implemented the balances approach<sup>13</sup> and automated their estimation processes. However, the task force has put this procedure on hold until OMB issues guidance on the balances approach.

## **Implementation Plan Oversight Could Be Improved**

The implementation plan was developed to help guide the agency through its credit reform implementation efforts extending into fiscal year 2001. This plan includes points of contact for many procedures and some milestone dates. Thus far, RD has experienced many delays in meeting milestone dates, and several procedures did not

<sup>&</sup>lt;sup>11</sup>The task force has put this procedure on hold until OMB issues guidance on the balances approach.

<sup>&</sup>lt;sup>12</sup>A cohort includes those direct loans or loan guarantees of a program for which a subsidy appropriation is provided for a given fiscal year even if disbursements occur in subsequent years.

<sup>&</sup>lt;sup>13</sup>The Office of Management and Budget has characterized the balances approach as a simplified, more direct method of reestimating credit subsidies. Detailed implementation guidance has not yet been developed.

have due dates established. For example, for the 20 key procedures not yet completed, 6 have missed the due dates, 4 lack due dates, and 10 have due dates in the future. Further, for the 5 recently completed procedures, 2 were completed after the due dates and 3 lacked due dates. Until RD makes significant progress in implementing the remaining key procedures in the plan, RD will continue to lack an adequate process to develop well supported, reasonable estimates of credit program costs. As a result, financial statements and budget estimates could be misstated.

While oversight for credit reform implementation efforts falls under the guidance of the USDA Executive Steering Committee for Credit Reform Implementation, the Steering Committee as a whole has had little direct involvement in overseeing progress to improve RD's credit subsidy estimates. The Steering Committee does not meet on a regular basis to monitor the task force's progress and was not made aware of missed or changed milestone dates.

However, there were individual efforts by task force and Steering Committee members to eliminate barriers impeding implementation efforts. An OCFO task force representative has provided general progress updates approximately every 2 weeks to the USDA Chief Financial Officer and has met separately on various occasions with individual members of the Steering Committee to discuss specific issues, such as funding requests. While these efforts are important, Steering Committee oversight and monitoring of the task force's activities are critical to timely and successful implementation of credit reform at the agency.

# <u>RD Has Not Committed Sufficient Resources</u> to Correct Credit Reform Issues

In our March 2000 testimony,<sup>14</sup> we stated that limited progress in addressing the deficiencies related to estimating the cost of USDA credit programs was primarily attributable to a shortage of resources, both staff and funds, to properly address the problem. Although the agency recognized the need for additional qualified staff, between April 1999 and April 2000, RD had internally reassigned only two staff that worked part time on credit reform implementation issues. Recently, RD has hired two additional staff that management plans to dedicate full time to solving these long-standing problems.

Delays in completing the non-housing direct cash flow model due to a shortage of both staff and funding resources USDA devoted to resolving credit reform weaknesses have significantly hampered progress in performing sensitivity analyses and assessing the quality of the data RD uses to predict future loan performance. Additionally, delays in identifying the necessary funding for outside contractors have significantly impeded the development and implementation of a new cash flow model for RD's housing direct loan programs. In April and June 1999, we met with the Steering Committee and discussed how other agencies have successfully used outside contractors to help gather adequate historical data, establish a reliable basis

<sup>&</sup>lt;sup>14</sup>*Financial Management: USDA Faces Major Financial Management Challenges* (GAO/T-AIMD-00-115, March 21, 2000).

for cash flow estimates, and improve cash flow models in a timely manner. In our March 2000 testimony we again discussed this issue.

Because the single family housing program's interest calculations are very complex, it is unlikely that the housing direct cash flow model will be developed in a timely manner with the resources that USDA has made available to the task force thus far. While funds were made available to assess the existing cash flow data for the housing direct loan programs, to date, no funding was identified to complete the critical procedure of developing a new cash flow model. Until this new cash flow model is developed, most of the other key procedures related to the housing direct loan program cannot be completed.

## **Conclusions**

RD's progress in improving credit program cost estimates is slow, and several procedures are not completed because USDA did not allocate to the task force the necessary dedicated full-time staff or adequate funding for outside contractors. Without sustained top level management commitment, guidance from the Steering Committee, and the necessary dedicated staff and funding resources, RD will not be able to improve the quality of its credit program cost estimates in a timely manner. Until RD makes significant progress in implementing the remaining key procedures, it will continue to lack an adequate process to develop well supported, reasonable estimates of credit program costs. As a result, financial statements and budget estimates could be misstated. Due to the magnitude of RD's credit programs, an ungualified audit opinion on USDA's consolidated financial statements will not be possible without the successful implementation of credit reform. Since USDA is the largest direct lender in the federal government, proper implementation of credit reform is material to the consolidated financial statements of the U.S. government. USDA's deficiencies in this area will also continue to contribute to our inability to give an unqualified audit opinion on the consolidated financial statements of the U.S. government.

## **Recommendations**

In order to improve Rural Development's estimates of credit program costs in a timely manner, we recommend that the Secretary of Agriculture or his designee take the following actions:

- Commit the necessary staff and/or funding resources to promptly implement the procedures in the detailed implementation plan.
- Set milestone dates for all the procedures included in the detailed implementation plan.
- Establish a process whereby the Executive Steering Committee for Credit Reform Implementation routinely monitors the progress of credit reform implementation efforts. With respect to the detailed implementation plan, establish a process for the Steering Committee to (1) be notified when scheduled due dates will not be

met so that corrective actions can be taken and (2) approve changes to scheduled due dates.

## Agency Comments

On August 17, 2000, we obtained oral comments on a draft of our briefing slides and letter from cognizant RD budget and finance office officials and USDA OCFO officials, who generally agreed with our findings, conclusions, and recommendations. Their comments were incorporated where appropriate.

This report contains recommendations to you. The head of a federal agency is required by 31 U.S.C 720 to submit a written statement on actions taken on these recommendations. You should submit your statement to the Senate Committee on Governmental Affairs and the House Committee on Government Reform no later than 60 days after the date of this letter. A written statement must also be sent to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of this letter.

We are sending copies of this letter to the Honorable Richard E. Rominger, Deputy Secretary for Agriculture; the Honorable Sally Thompson, Chief Financial Officer of Agriculture; and the Honorable Jill Long Thompson, Under Secretary for Rural Development. Copies of this letter will be made available to others upon request.

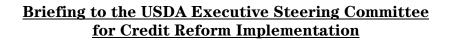
If you have any questions about this letter or the briefing, please contact me at (202) 512-9508 or Dan Blair, Assistant Director, at (202) 512-9401. Key contributors to this assignment were McCoy Williams, Marcia Carlsen and Mary Papadopulos.

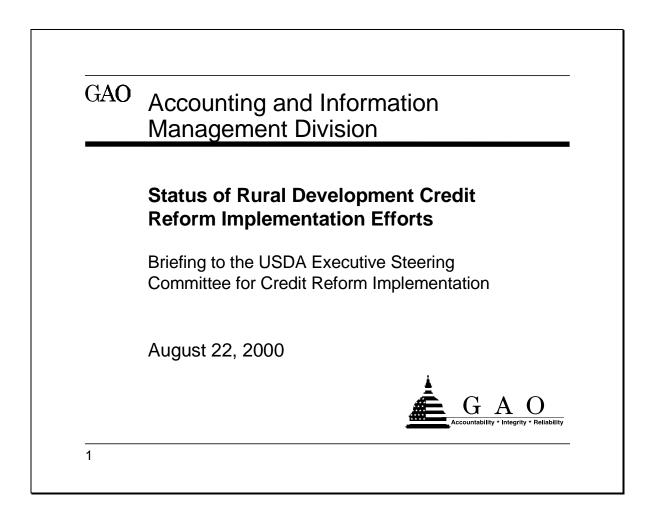
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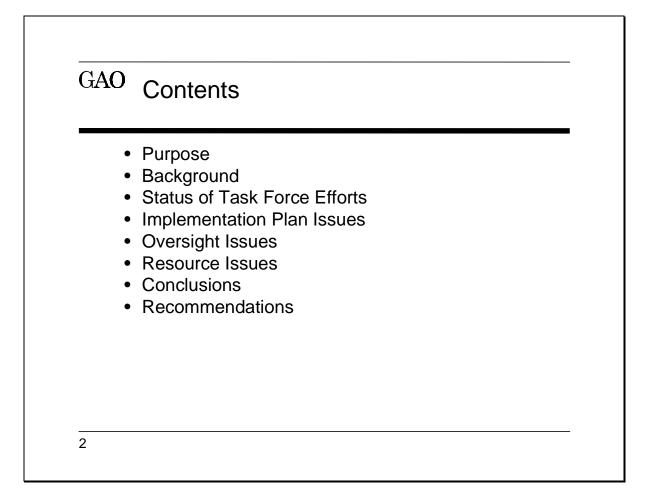
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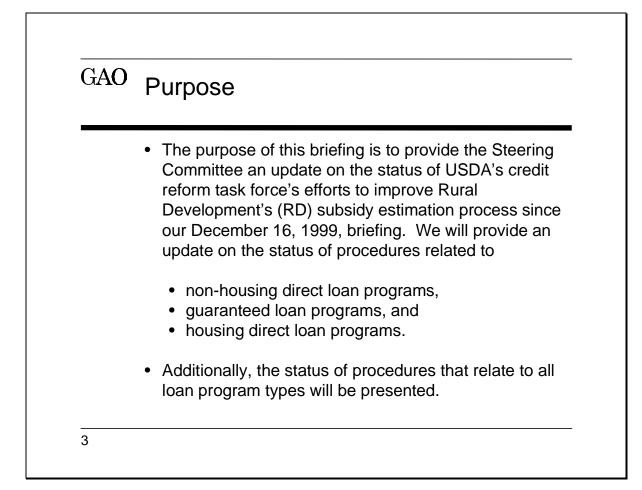
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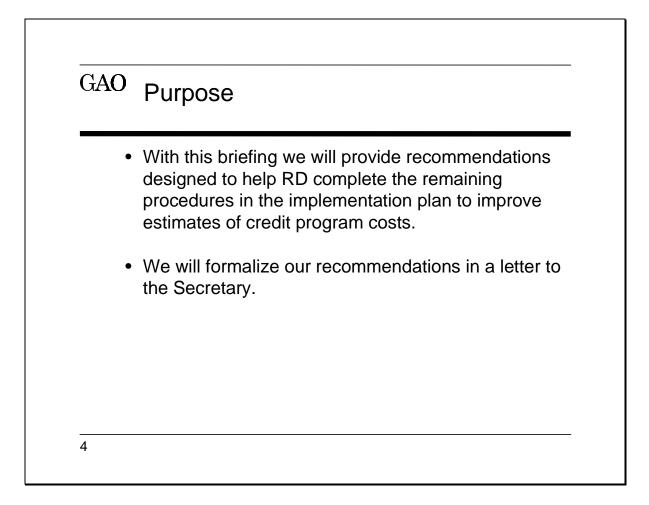
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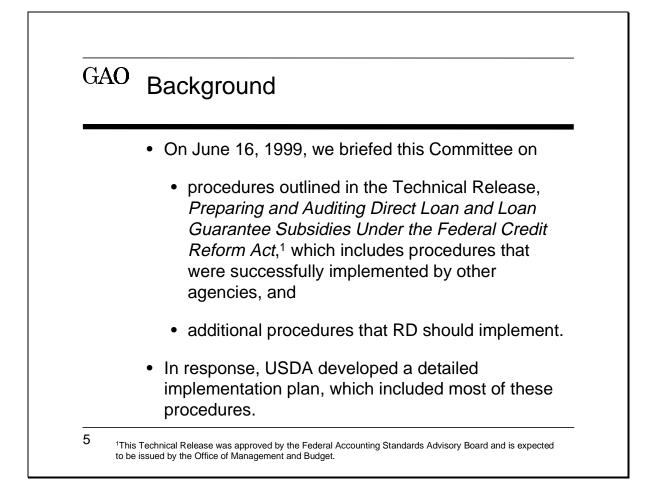


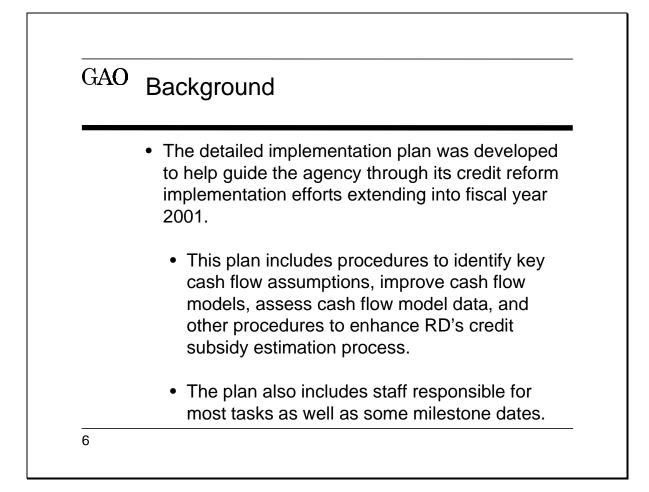


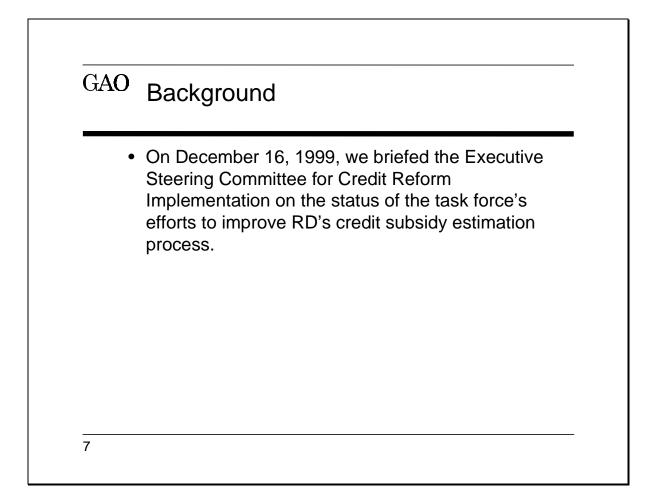


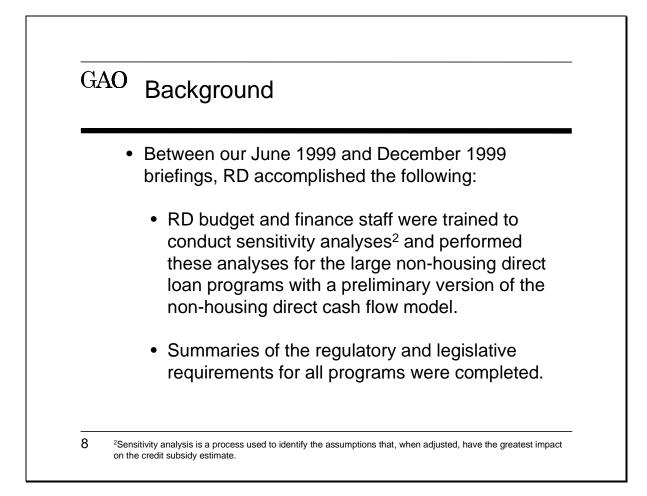


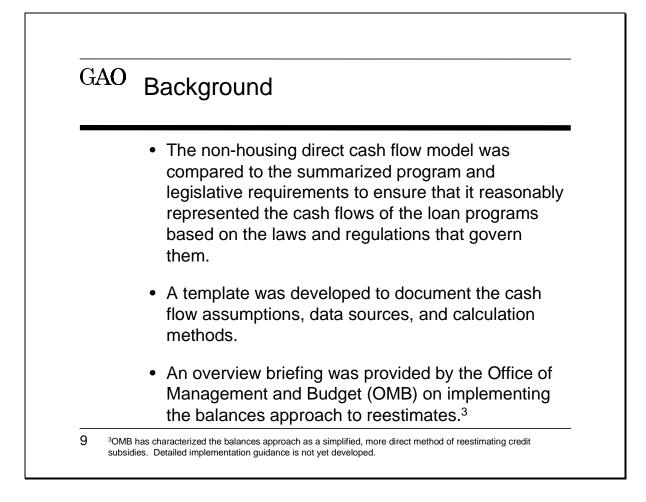


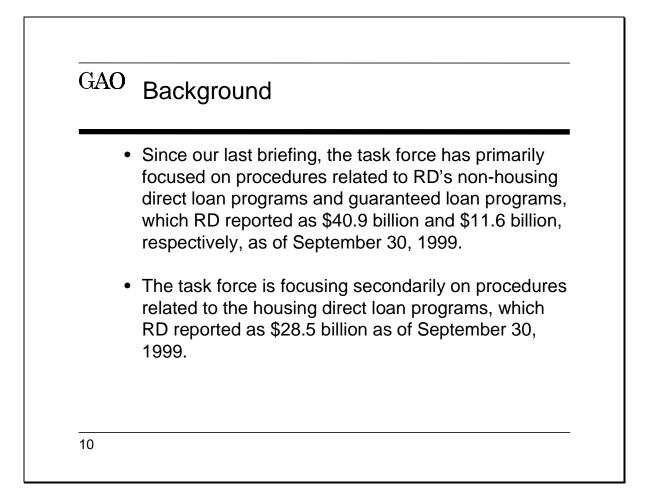


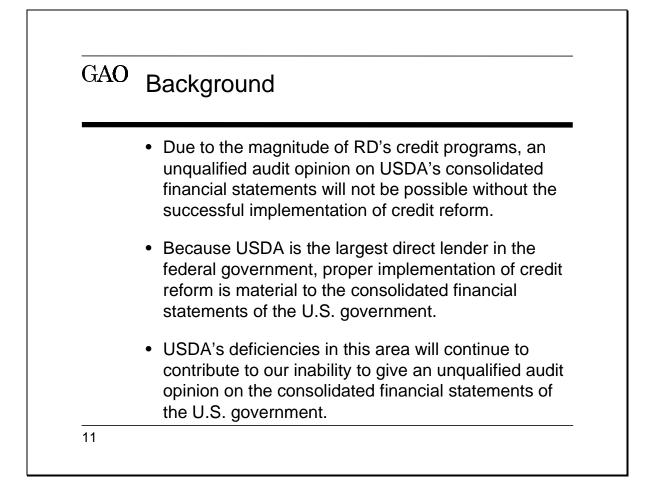


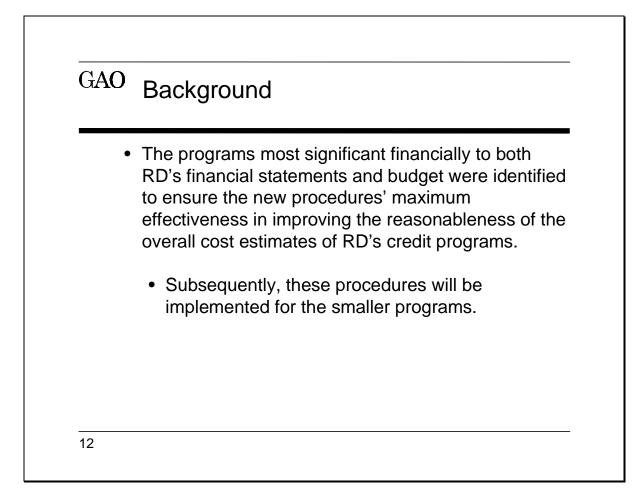


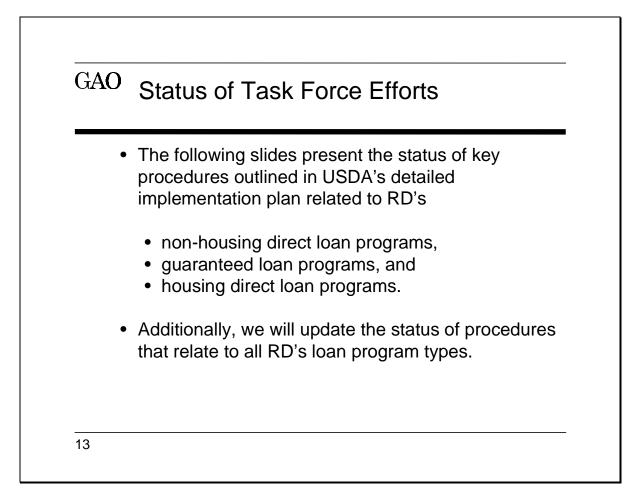


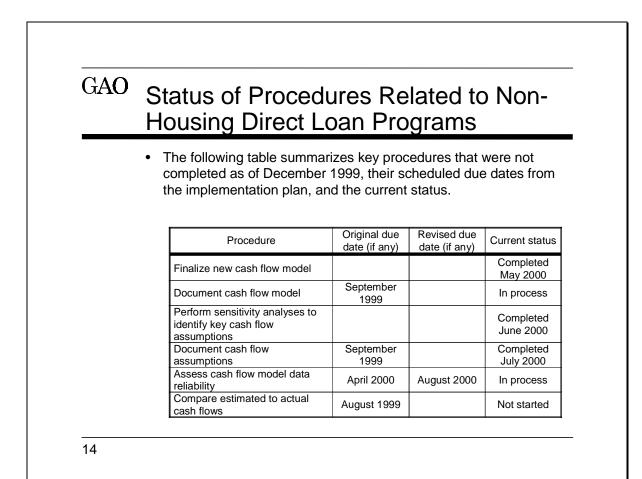


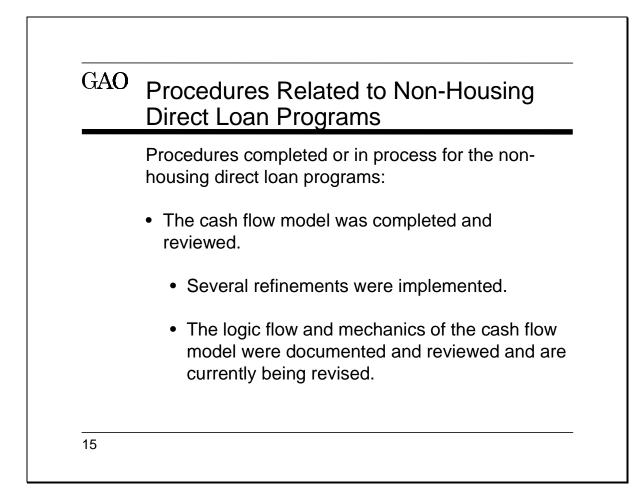


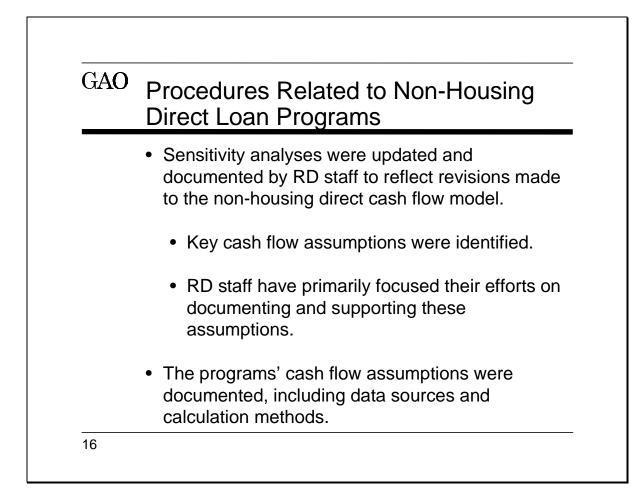


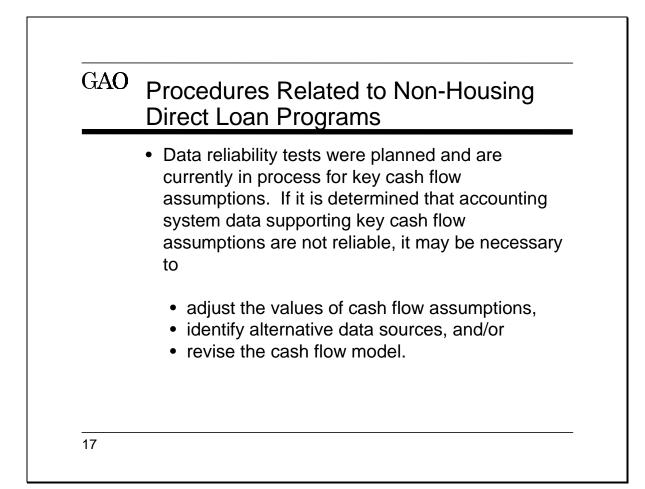


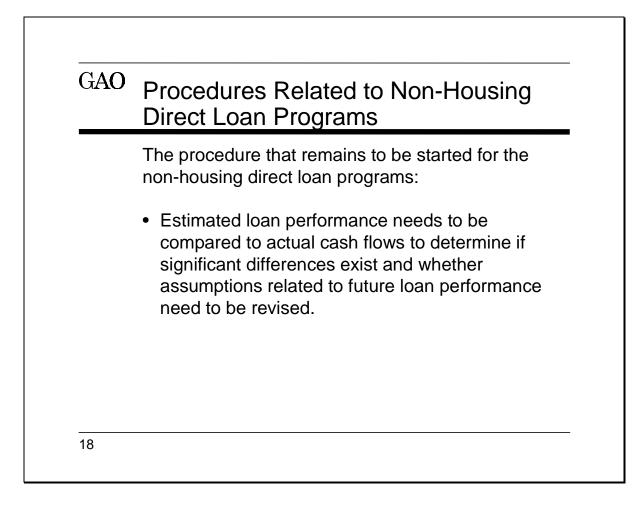


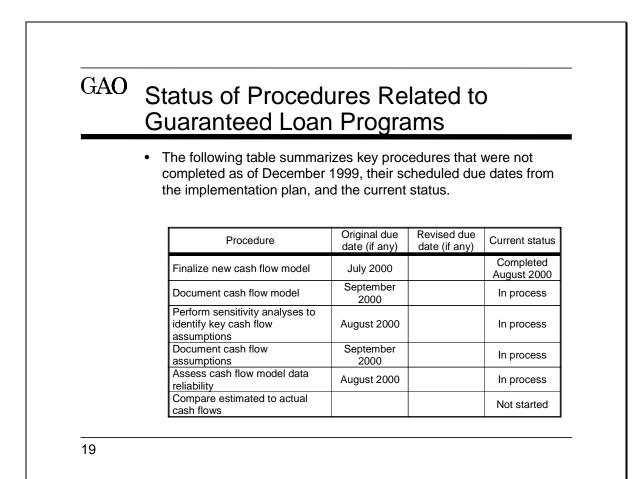


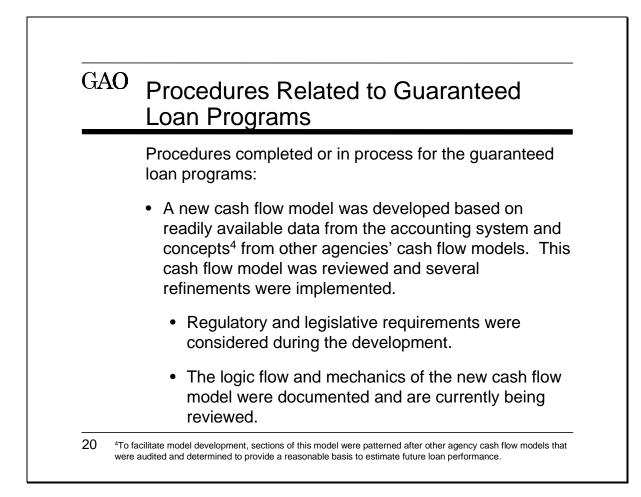


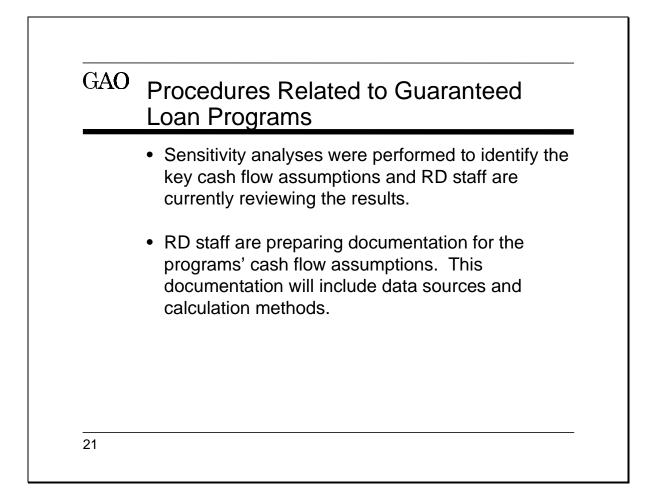


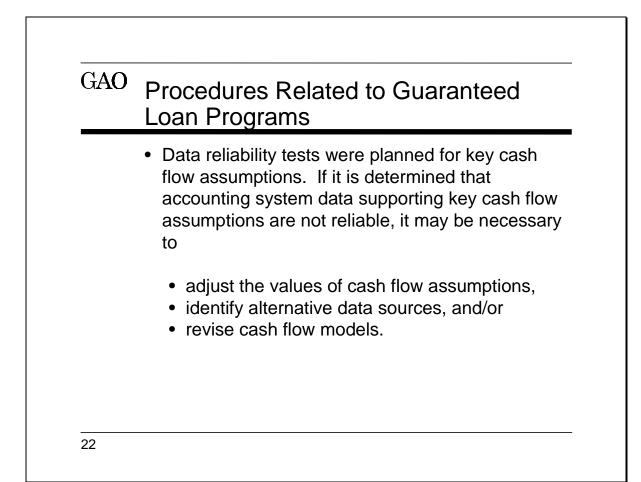


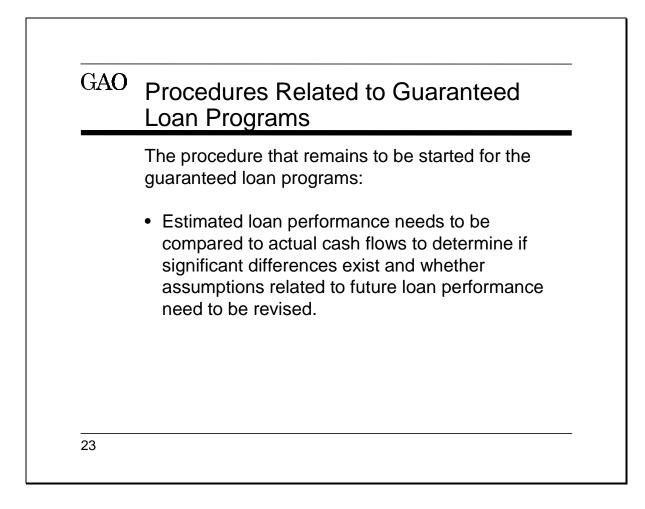


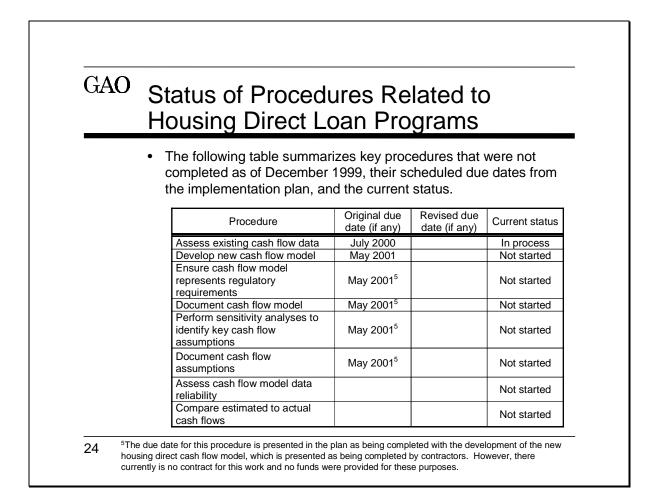


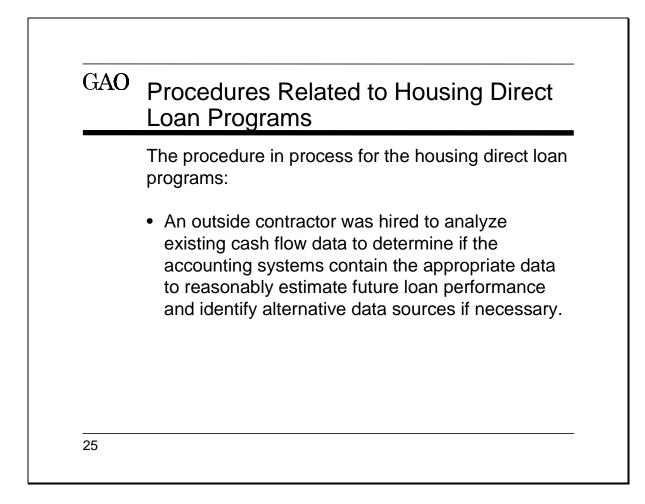


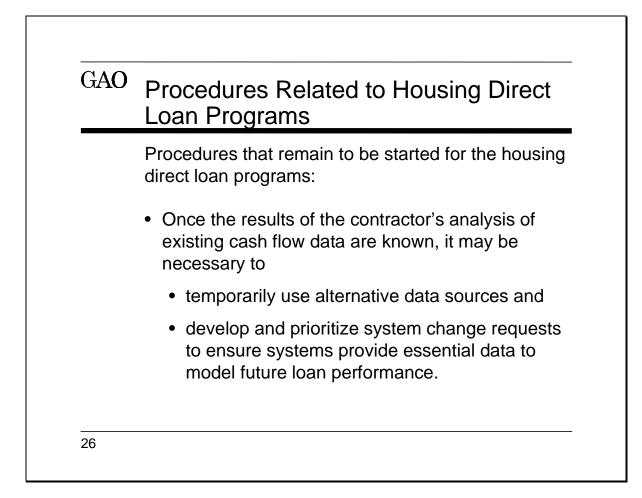


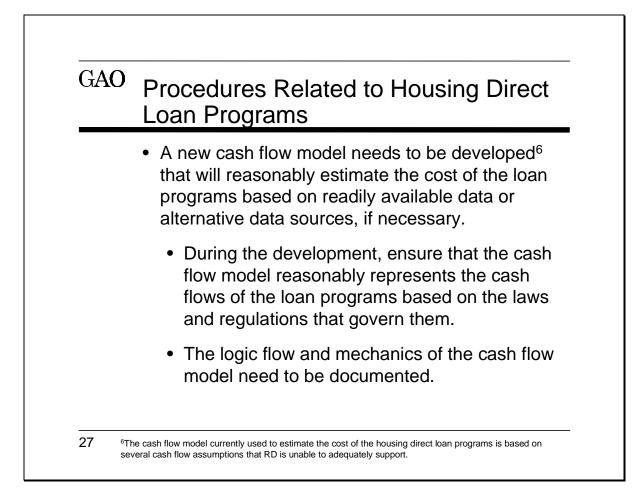


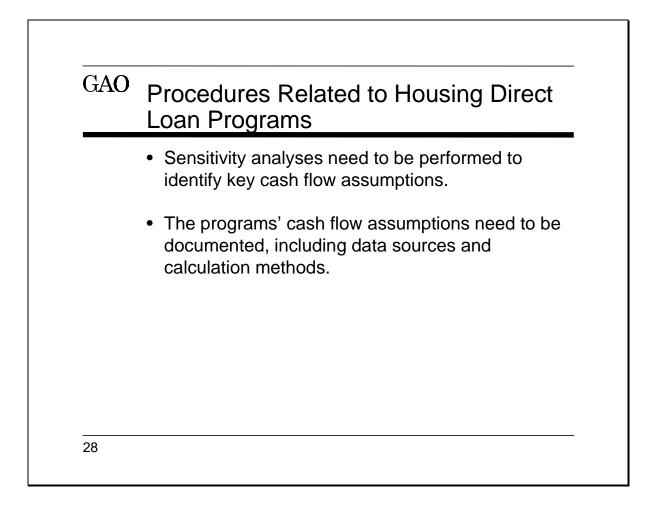


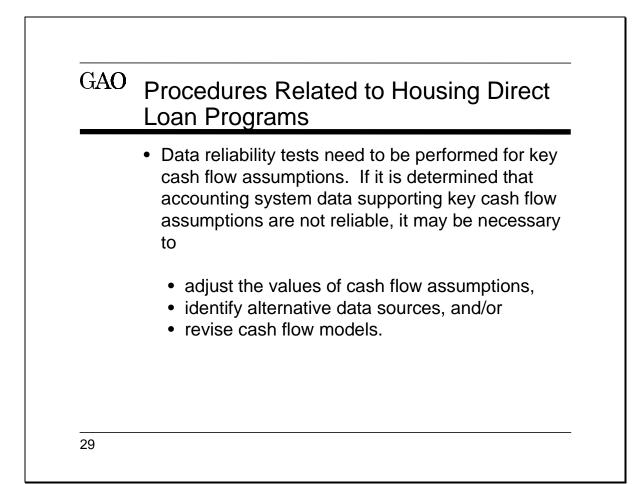


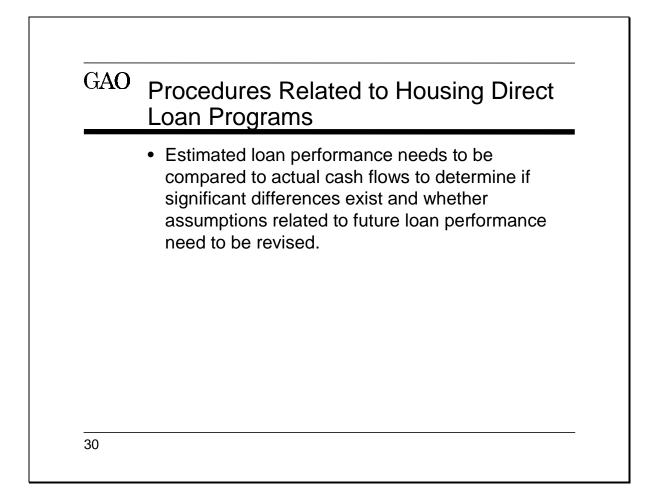


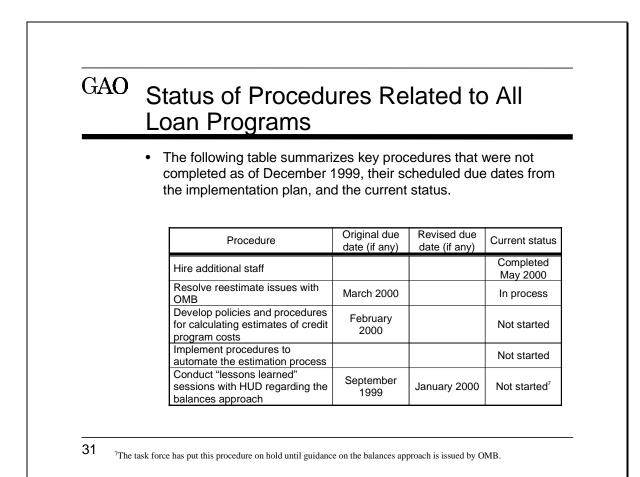


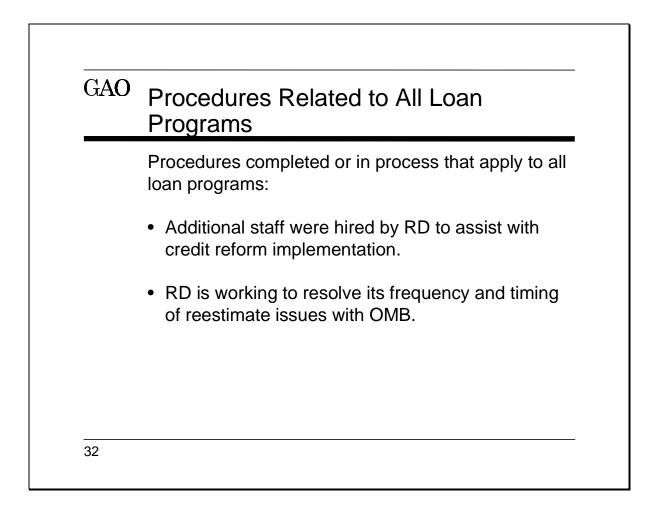


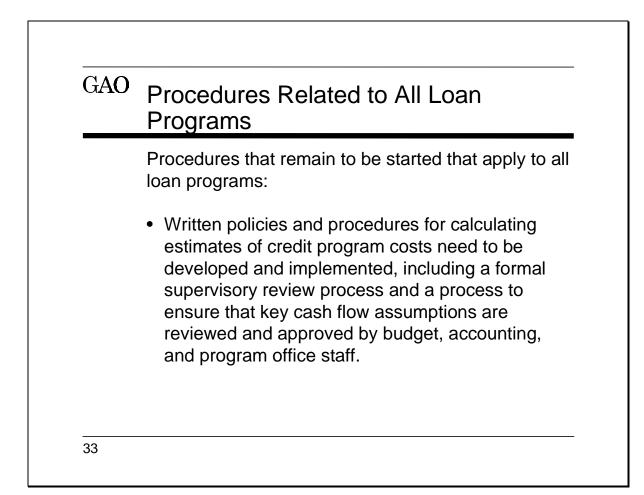


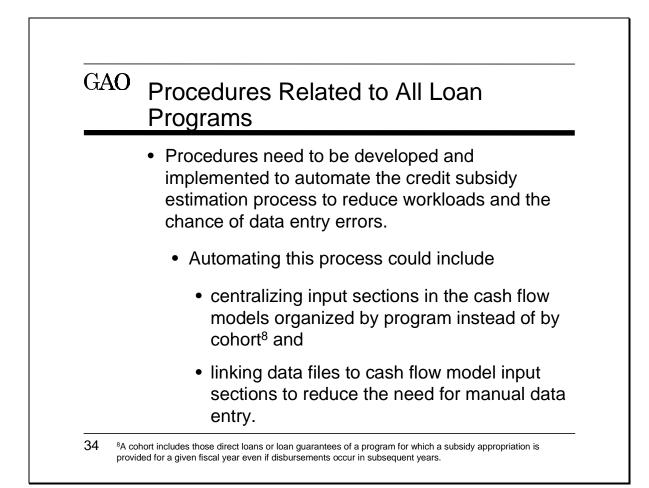


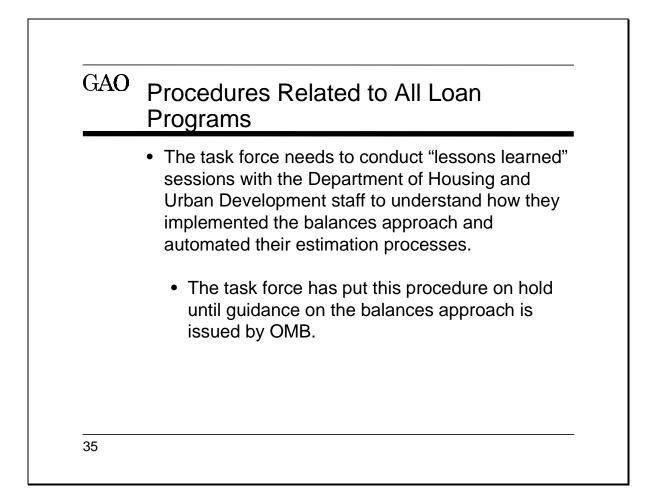


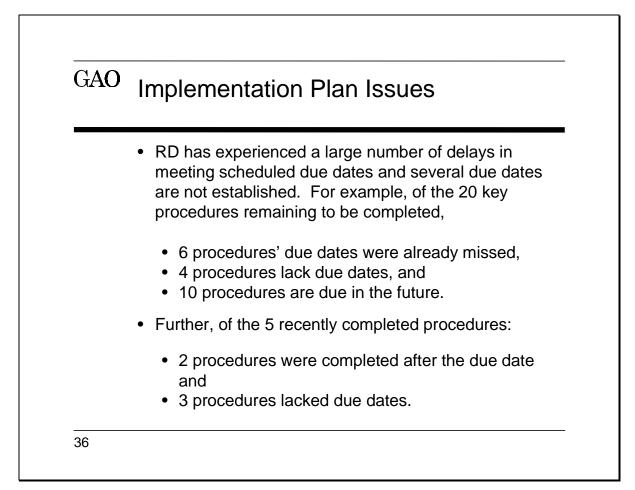


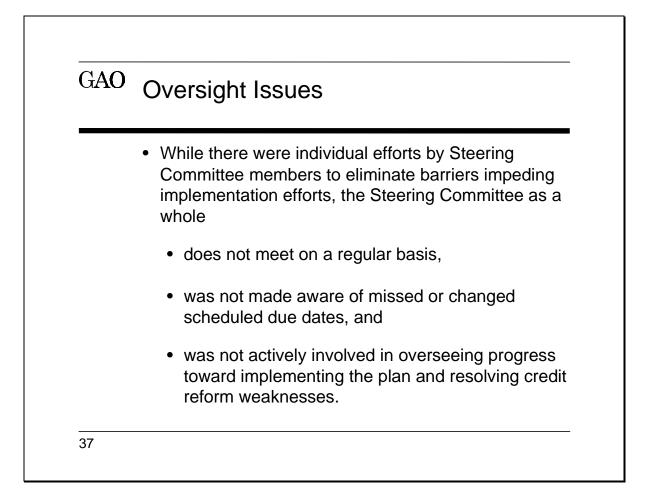


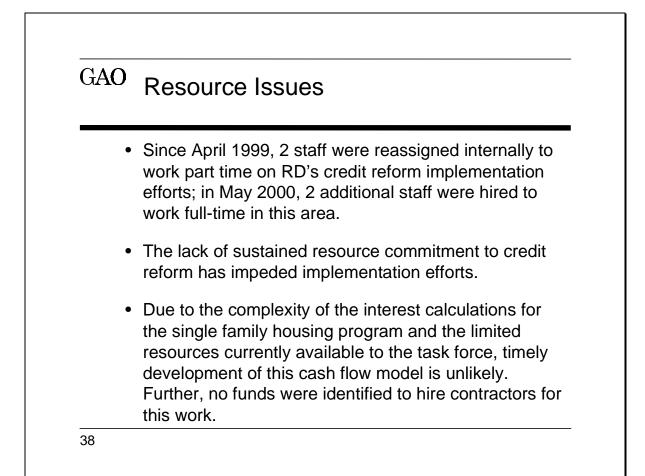


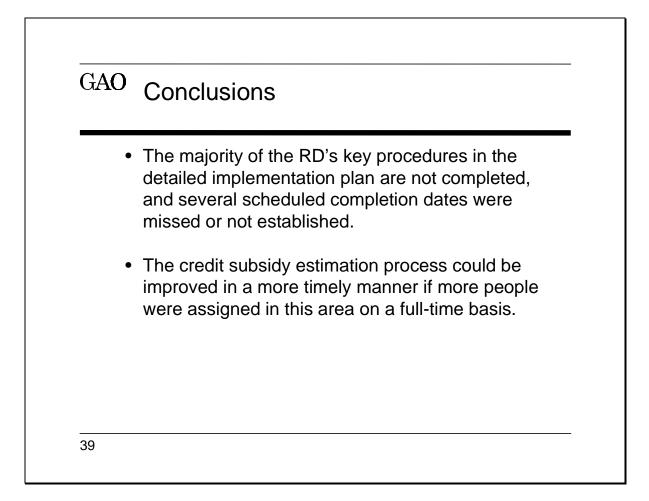


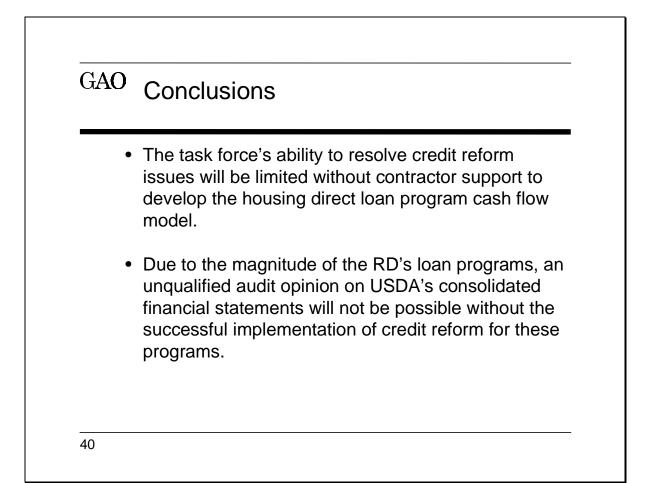


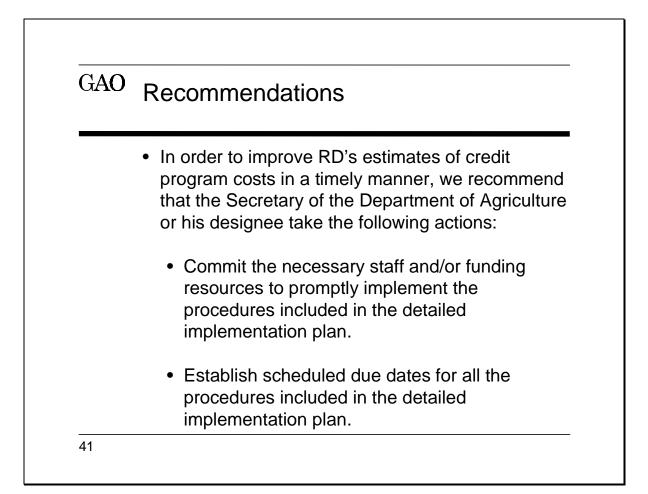


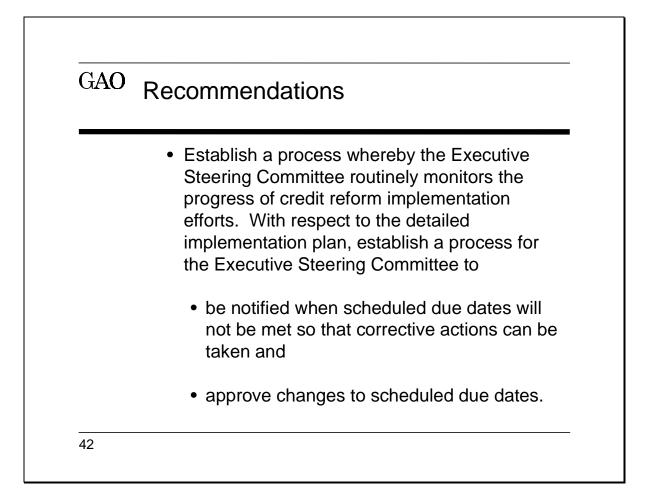












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