

U.S. Department of Agriculture
Office of Inspector General
Southwest Region
Audit Report

Farm Service Agency
Jackson County Office Operations
Arkansas

Report No.
03006-18-Te
September 2000





UNITED STATES DEPARTMENT OF AGRICULTURE
OFFICE OF INSPECTOR GENERAL
Washington D.C. 20250



DATE: October 3, 2000

REPLY TO
ATTN OF: 03006-18-Te

SUBJECT: Jackson County Office Operations in Arkansas

TO: Keith Kelly
Administrator
Farm Service Agency

ATTN: T. Mike McCann
Director
Operations Review and Analysis Staff

This report presents the results of our audit of Office Operations in Jackson County, Arkansas. The Farm Service Agency (FSA) response to the draft report, dated August 15, 2000, is included as exhibit Q with excerpts and the Office of Inspector General's position incorporated into the relevant sections of the report.

The written response contained sufficient information to reach management decisions on Recommendations Nos. 7, 13, and 16. Follow your internal agency procedures in forwarding final action correspondence to the Office of the Chief Financial Officer.

Additional information is needed to reach management decisions on Recommendations Nos. 1, 2, 3, 4, 5, 6, 8, 9, 10, 11, 12, 14, and 15. The information needed to reach agreement is set forth in the sections of the report marked "OIG Position." We ask that FSA delay any relief from collection of overpayments from individual producers until results of an OIG investigation and possible criminal or civil remedies are known.

In accordance with Departmental Regulation 1720-1, please furnish a reply within 60 days describing the corrective action taken or planned and the timeframes for implementation of each audit recommendation. Please note that the regulation requires management decisions to be reached on all findings and recommendations within a maximum of 6 months from report issuance, and final actions to be taken within 1 year of the management decisions.

We appreciate the courtesies and cooperation extended to us by members of your staff during the audit.

/s/
ROGER C. VIADERO
Inspector General

Attachments

EXECUTIVE SUMMARY

JACKSON COUNTY OFFICE OPERATIONS REPORT NO. 03006-18-Te

PURPOSE

Review (SCOR) indicated Jackson County, Arkansas, FSA Office (CO) employees and/or producers violated or took deliberate actions to circumvent farm program provisions. The objective of the audit was to expand on findings of the SCOR to determine the validity and extent of reported problems with program administration at the CO.

We performed this audit of Jackson County, Arkansas, Farm Service Agency (FSA) Office operations at the request of FSA National Office officials. A special FSA County Operations

RESULTS IN BRIEF

The audit generally confirmed the SCOR findings and identified serious problems in program administration. Widespread program abuse and irregularities existed, including improper planted and considered planted (P&CP) and disaster credit; improper farm reconstitutions; unauthorized crop acre base (CAB) and yield increases; and unsigned, incomplete, and/or backdated program documents. The total improper payments resulting from these actions were over \$8.5 million. (See exhibit A for a summary of these monetary amounts.) We attributed most of these problems to the willingness of the CO staff, including [County Agricultural Official (CAO)] and county committee (COC), to accommodate producers' requests and to disregard FSA procedures in order to maximize Government benefits to producers. The extent of irregularities and abuse was so pervasive that we concluded the CO operations were mismanaged and that State office (STO) oversight and supervision were inadequate. Specifically, responsible STO program specialists, [State Agricultural Official(SAO)], and a county office reviewer did not identify and correct long standing irregularities.

The audit generally confirmed the SCOR findings and identified serious problems in program administration. Widespread program abuse and irregularities existed, including improper planted

The joint review identified farm reconstitutions used to divide farms but retain the CAB's on certain acres, while splitting off other acreage to build additional CAB's. This allowed full program participation on the divided farm(s) that received CAB(s), while building CAB(s) on the divided farm(s) that did not receive CAB(s). Also, the COC established rice yields on farms where CAB's were built substantially higher than the established yields on the parent farms. Most of the farms that benefited from those actions were operations having connections to a large farming operation in the county, producer 2.

Further, someone at the CO, without justification or authorization, changed the contribution percentages in the automated system for four reconstitutions during the period 1992 through 1995 involving farms with ties to producer 2. This allowed improper shifting of CAB's among the resulting farms. In one case, the parent farm's entire rice CAB of over 1,800 acres was allocated to only one of nine resulting farms with the other farms used to build CAB's. Program benefits on PFC contracts accruing to subsequent farms, resulting from this one reconstitution, totaled almost \$3.3 million, of which about \$384,000 went (or was scheduled to go) to [CAO] and a relative.

The CO also allowed P&CP credit for rice behind wheat (RBW) on those farms where rice CAB's were built. Usually, this consisted of credit for rice that was self-certified failed or prevented from being planted. Thus, P&CP credit was given, and rice CAB's were established on land where rice was never actually produced. These increases should not have been allowed because double cropping RBW was not normal for the area. The P&CP credit was also given for rice considered planted behind a failed wheat crop, commonly referred to as ghost acres (P&CP credit is not permitted for both crops since it is given for the first crop, and had that first crop not failed the second crop would not have been planted). The SCOR identified improper credit for 6,384.6 ghost acres during 1993 to 1995 that were used to build rice CAB's.

Because of these irregularities, FSA adjusted bases and yields on 64 farms which reduced fiscal years (FY's) 1998 through 2002 production flexibility contract (PFC) payments that had not yet been made by over \$4.7 million. However, FSA has not initiated any action with regard to PFC overpayments that had already been made for FY's 1996 and 1997 amounting to about \$1.6 million. Nor has FSA taken any action with regard to ineligible payments that resulted from these same errors under the 1993 through 1995 Acreage Reduction Programs (ARP). Further, FSA has not taken action regarding over \$335,000 in payments resulting from improper P&CP credit for RBW that did not involve ghost acres, and for over \$186,000 in payments resulting from improper P&CP credits for initial prevented planted (PP) rice that we do not consider justified because evidence showed the losses were not disaster related.

We also questioned over \$637,000 in disaster payments because the producers' disaster claims included (1) failed or PP rice on acreage having little or no history of producing rice, (2) reported PP losses due to excessive moisture when weather and other data did not support such claims, and (3) losses for PP rice by producers who previously reported they intended to double crop soybeans behind wheat. Producers also received P&CP credit on these disaster acres self-certified as PP or failed RBW that were used to build rice CAB's. For example, producers on one farm received 1993 disaster payments of \$118,381 for PP rice on the total

1,130.4 cropland acres even though the farm did not have any prior history of producing rice. Another loss claim was filed for the entire acreage in 1994. Although the disaster claim was denied, the farm was given P&CP credit for both years, which built a rice CAB that generated over \$980,000 in 1996 through 2002 PFC payments on a farm that had no history of raising rice. We also questioned disaster payments, as discussed in more detail below, because producers who received them had no previous connections with the farming operations.

Of the adjustments FSA made to the CAB's and yields on 64 farms, which involved about \$6.3 million in questioned payments, most of the overpayments occurred on 39 farms with rice CAB's. Of the 39 farms, 15 farms with about \$5.9 million in questioned payments had connections with producer 2. Producer 2 also benefited by over \$3 million (of which \$2 million was included in the \$5.9 million) when someone in the CO made unauthorized and unjustified computer-generated increases in 1992 rice yields (2,000 pounds on one farm and 1,000 pounds on another) and 1993 CAB increases of 1,300 total acres on four other farms. We also noted that farm tenants having connections to producer 2, but no prior interests in operating 22 farms (of 24 identified involving this situation), received only the disaster payments for PP rice while the original tenants who leased the land continued their interests in the planted crops. We contacted the owner of one of these farms. He was not aware that rice disaster payments had been paid on his farm since rice had not been produced on it in several years. He was also not aware that the tenant who received the disaster payments had any interest in crops being produced on his farm. Although he leased his farm on a crop-share basis, he did not receive any of the disaster payments.

Of the \$8.5 million in questioned payments identified during this review, over \$7.7 million involved the operations of the entities associated with producer 2. During this audit, many of these entities were reorganized into 33 new corporations to replace the corporate or individual cash rent tenants on farming units that received the questioned payments. Similar reorganizations occurred after FSA established debts of about \$2.8 million against the payment entities as a result of a prior audit, and subsequent payments were made to the new entities without offset. However, in that case a former FSA Administrator subsequently forgave the entire debt. The FSA now has procedures to hold new entities liable if the reorganizations were done to avoid offsets.

[CAO] and a relative also benefited from improper rice CAB and yield increases in that they received or were scheduled to receive about \$490,000 in questioned payments on farms owned by corporations controlled by producer 2. Additionally, [CAO] did not report all financial interests, as required by FSA procedures, so that FSA could make informed decisions concerning potential conflict-of-interest situations. Further, [CAO] approved farm reconstitutions for farms in which [CAO] and a relative had interests. These actions, together with the widespread irregularities and abuse disclosed by the SCOR and this audit, raise serious questions concerning the operations of this office for which [CAO] and COC must be held accountable.

The task force found that required eligibility documents were not on file for 171 producers scheduled to receive payments. We also identified problems with COC minutes, dates, and signatures; incomplete documents; questionable activities to evade debt offset; and the improper processing of payments or checks. These problems and the aforementioned abuse demonstrated deficient program administration by the office staff. There was also a problem with a followup review of CO operations by an Arkansas County Operations Reviewer (ACOR) that neither confirmed problems identified by the task force nor disclosed any of the problems identified in this report.

The FSA has initiated administrative actions regarding the irregularities disclosed by this joint review. Information about the unauthorized CAB and yield increases has been referred to OIG-Investigations.

Included as General Comments are items questioned by the SCOR and joint Office of Inspector General (OIG)-FSA reviews that have since been corrected or need no additional corrective action.

KEY RECOMMENDATIONS

We recommend that FSA determine ARP overpayments that resulted from improper CAB and yield adjustments and recover them. We also recommend recovery of \$1,555,706 in 1996 and 1997 PFC overpayments resulting from the improper base and yield increases identified by the FSA task force. Further, we recommend that rice CAB's be corrected for improper P&CP credit for other than ghost acres and that questioned PFC payments of \$522,445 be recovered or adjusted. In addition, we recommend recovery of \$637,316 in 1993 and 1994 disaster payments issued for failed or PP rice. Further, FSA needs to determine appropriate administrative actions.

AGENCY RESPONSE

The FSA is in agreement that there were improper CAB and yield adjustments, but will not pursue collection of the ARP and the 1996 and 1997 PFC overpayments because of the apparent involvement of CO personnel. The response shows that the CAB's for other than ghost acres detailed in exhibit E have been corrected, and FSA also will not pursue collection of those overpayments because of the involvement of CO personnel. They do not plan to pursue collection of the questioned 1993 and 1994 disaster payments for the same reason. The FSA has taken administrative actions against some CO employees, and after future review will decide if administrative actions should be taken against responsible State officials.

OIG POSITION

We need information showing that the CAB's and yields have been adjusted for other than ghost acres, as detailed in exhibit E. If collection of overpayments cited in the report is not pursued, we need additional documentation to fully explain the rationale behind FSA's decisions to forego collections of overpayments. Because the reported unauthorized CAB and yield increases are under investigation, we ask that FSA delay any action relative to these payments until the investigation and related civil and criminal remedies are completed.

TABLE OF CONTENTS

EXECUTIVE SUMMARY	i
PURPOSE	i
RESULTS IN BRIEF	i
KEY RECOMMENDATIONS	iv
AGENCY RESPONSE	iv
OIG POSITION	v

INTRODUCTION	1
BACKGROUND	1
OBJECTIVE	6
SCOPE	7
METHODOLOGY	8

FINDINGS AND RECOMMENDATIONS

10

CHAPTER 1

BASES AND YIELDS MANIPULATED TO INCREASE PROGRAM BENEFITS	10
--	----

FINDING NO. 1

FARM RECONSTITUTIONS USED TO CIRCUMVENT REGULATIONS AND INCREASE CROP ACREAGE BASES AND YIELDS	11
--	----

RECOMMENDATION NO. 1	19
-----------------------------------	----

FINDING NO. 2

RICE BEHIND WHEAT WAS INELIGIBLE FOR ACREAGE CREDIT	19
---	----

RECOMMENDATION NO. 2	24
-----------------------------------	----

RECOMMENDATION NO. 3	25
-----------------------------------	----

RECOMMENDATION NO. 4	25
-----------------------------------	----

TABLE OF CONTENTS

FINDING NO. 3	
UNAUTHORIZED CHANGES TO AUTOMATED FARM RECORDS	26
RECOMMENDATION NO. 5	33
RECOMMENDATION NO. 6	34
CHAPTER 2	
DISASTER PROGRAM MANIPULATED TO INCREASE BENEFITS	35
FINDING NO. 4	
IMPROPER DISASTER CLAIMS SHOULD HAVE BEEN DETECTED	36
RECOMMENDATION NO. 7	47
RECOMMENDATION NO. 8	48
RECOMMENDATION NO. 9	48
FINDING NO. 5	
PREVENTED PLANTED ACREAGE USED TO BUILD CROP ACREAGE BASE	49
RECOMMENDATION NO. 10	49
CHAPTER 3	
DEFICIENT PROGRAM ADMINISTRATION AND INADEQUATE OVERSIGHT ..	51
FINDING NO. 6	
COUNTY OFFICE ACTIONS IMPROPER	52
RECOMMENDATION NO. 11	59
FINDING NO. 7	
STATE OFFICE OVERSIGHT INADEQUATE	59
RECOMMENDATION NO. 12	61

TABLE OF CONTENTS

FINDING NO. 8

PROCESSING OF PAYMENTS AND COMMODITY CREDIT
CORPORATION CHECKS 62

RECOMMENDATION NO. 13 63

FINDING NO. 9

OVERPAYMENT OF PROMPT PAYMENT INTEREST 63

RECOMMENDATION NO. 14 64

FINDING NO. 10

KNOWN IMPROPRIETIES TO EVADE DEBT OFFSET 64

RECOMMENDATION NO. 15 65

FINDING NO. 11

PROBLEMS WITH PERSON DETERMINATIONS AND
RELATED COMPUTER DATA ENTRIES 66

RECOMMENDATION NO. 16 68

GENERAL COMMENTS 69

EXHIBITS

EXHIBIT A - SUMMARY OF MONETARY RESULTS 71

EXHIBIT B - CO EMPLOYEES' AREAS OF RESPONSIBILITY 72

EXHIBIT C - NET PAYMENTS TO PRODUCERS BY PROGRAM,
1992 THROUGH 1997 73

EXHIBIT D - PFC OVER/UNDERPAYMENTS BASED ON
TASK FORCE REVIEW 74

EXHIBIT E - PFC OVERPAYMENTS FOR IMPROPER P&CP CREDIT
THAT INCREASED RICE CAB'S 79

TABLE OF CONTENTS

EXHIBIT F -	1993 THROUGH 1995 RBW THAT WERE GHOST ACRES AND/OR FAILED OR PP	80
EXHIBIT G -	SUMMARY OF 1989 THROUGH 1995 RBW HISTORY IN JACKSON COUNTY	86
EXHIBIT H -	EFFECT OF UNAUTHORIZED RICE CAB INCREASES IN 1993	87
EXHIBIT I -	EFFECT OF UNAUTHORIZED RICE YIELD INCREASES IN 1992	88
EXHIBIT J -	EFFECT OF UNAUTHORIZED UPCN YIELD INCREASES ...	89
EXHIBIT K -	IRREGULARITIES IN FAILED RBW AND PP RICE CLAIMS FOR 1993 AND 1994	90
EXHIBIT L -	FAILED RBW AND PP RICE THAT RECEIVED DISASTER PAYMENTS	93
EXHIBIT M -	OFFICIAL 1993 AND 1994 RAINFALL DATA FROM NOAA WEATHER STATIONS IN AND AROUND JACKSON COUNTY	95
EXHIBIT N -	RICE HISTORY AND WHEAT RICE ACRES FOR 1993 AND 1994 FARMS WITH FAILED RBW AND/OR PP RICE	97
EXHIBIT O -	IRREGULARITIES IN REPORTED RICE INTERESTS	100
EXHIBIT P -	CERTIFICATION AND APPLICATION DATES FOR 1993 AND 1994 FAILED RBW AND PP RICE AND FOR OTHER CROPS FARMED ON THE SAME ACREAGE	102
EXHIBIT Q -	FSA RESPONSE TO THE DRAFT REPORT	105

ABBREVIATIONS	111
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FORM NUMBERS AND DESCRIPTIONS	112
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TABLE OF CONTENTS

GLOSSARY OF TERMS 113

INTRODUCTION

BACKGROUND

The FSA delivers Federal farm programs at the local level under the administration of COC's. The COC hires [CAO] the day-to-day operations of the local FSA office for all FSA programs administered by the office. [CAO] provides guidance and assistance to program technicians (PT's) who perform the day-to-day CO operations. The STO oversight of COC's is handled through a State FSA Committee (STC), State Executive Director (SED), program staff at the STO, and [SAO] who provide supervision and oversight to CO's. [SAO] are responsible for supervising and training CO employees and for coordinating and implementing National and State procedures at the local levels to COC's and CO employees. State offices also employ county operations reviewers (COR's) to conduct periodic onsite reviews of CO operations.

1990 Act

The Food, Agriculture, Conservation, and Trade Act of 1990 (FACTA), as amended by the Omnibus Budget Reconciliation Act of 1990, and technical corrections legislation, authorized disaster and ARP payments.

Disaster Payments

The FACTA authorized PP and reduced-yield disaster payments for crops damaged because of weather or related conditions.

Acreage Reduction Program

The FACTA provided authority to reduce acreage planted to crops when supplies were projected to be excessive. To qualify for payments, a farmer had to plant within the permitted acres on a participating farm. Plantings on nonparticipating farms did not affect eligibility on participating farms.

For wheat, feed grains, rice, and cotton, income support payments were provided during years of depressed prices. These "deficiency payments" were based on the difference between a "target price" set by law and the higher of either the basic loan rate or the national average market price.

Maximum Payment Acreage (MPA) for deficiency payments for each program crop was 85 percent of the CAB established for the program crop, less the acreage which was required to be devoted to conserving uses (CU's) under the ARP. Deficiency payments were based on MPA, multiplied by the deficiency payment rate, multiplied by the program yield.

For wheat and feed grains, the CAB was calculated for each crop by averaging the acreage P&CP to the program crop in the immediately preceding 5-year period. For upland cotton (UPCN) and rice, the CAB was the average of the P&CP from the immediately preceding 3-year period. A producer participating in the production adjustment program was forbidden to build or increase any of the CAB's for the farm.

1996 Farm Bill

The 1996 Farm Bill (the Agricultural Market Transition Act (AMTA)) removed the link between income support payments and farm prices. Under AMTA, farmers could enter into 7-year PFC's and receive a series of fixed annual "transition payments." Contracts generally began with the 1996 crop and extend through the 2002 crop. A farm was eligible for enrollment if it had a wheat, corn, sorghum, barley, oats, UPCN, or rice CAB established for 1996. Once the farm was enrolled, the CAB became contract acreage.

For each contract, the amount to be paid for a contract commodity each FY equaled the product of 85 percent of the contract acreage, multiplied by the payment yield, multiplied by the payment rate.

Jackson County FSA Staff

[SAO] for Jackson County has been [SAO SAO] (who served Jackson County [] continues to serve other Arkansas counties since Arkansas FSA district lines were redrawn. The Jackson COC was composed of three members. The CO staff consisted of [CAO] eight permanent employees. Areas of employee responsibility are shown in exhibit B.

Employee Misconduct Investigation

At the request of FSA's Southeast Area Office in December 1997, a United States Department of Agriculture (USDA) Employee Misconduct Investigator conducted investigations into the alleged misconduct of employees at the Jackson FSA CO.

The investigations were conducted in late 1997 and early 1998 and reported to the FSA National Office that evidence was found to support allegations that:

- one employee was involved in activities which posed a conflict of interest, conducted personal business during duty hours, used Government phones to conduct personal business, and made threatening statements to FSA customers;
- another employee may have altered documents;
- another employee used sick leave to attend a meeting;
- a fourth CO employee backdated documents for producers' benefits; and
- [CAO] knowingly approved sick leave for an employee to attend a meeting, allowed producers to report crop acreages for deceased owners, and accepted for payment acreages that were never planted or intended to be planted.

SCOR Review

In an attempt to identify the specific program irregularities brought to light during the employee misconduct investigation, the National office directed a team of three COR's from other States to conduct a SCOR review of operations at the CO. The SCOR reviewed AMTA transactions, unsecured checks (forms Commodity Credit Corporation (CCC)-184, CCC Check), farms associated with employee 1 or [CAO], deceased landowners that may have been receiving payments, 1993 disaster claims for farm 102, misuse of sick leave, the 1995 failed acreage report and subsequent deficiency payment for wheat on farm 134, and payment limitation and disaster claims for 1994. The SCOR reported in March 1998 the following.

- Employee 3 inappropriately used sick leave.
- A \$1,174 check dated January 23, 1998, made payable to FSA by a producer was not properly deposited and was left unsecured on employee 2's desk on February 27, 1998.
- Six checks (forms CCC-184) totaling \$10,579, prepared by employee 2 on February 12, 1998, were not properly signed, counter-signed, or issued and were left unsecured on employee 2's desk on February 27, 1998.
- No memoranda of understanding were on file for four reconstitutions to support use of the owner designation method of division.
- On 10 reconstitutions, CO employees did not obtain producers' signatures requesting and agreeing to the reconstitutions, and there was no documentation in the Jackson FSA COC minutes to indicate the COC initiated the reconstitutions.

- [CAO] approved three reconstitutions for farms in which the [CAO] had interests.
- In one case, a cash-rent tenant participated on a farm for which the landowner of record was deceased.
- The COC approved a 1995 failed acreage report for wheat on a farm although a note to the file stated there was no evidence of seeding.
- There was no documentation on file for one producer to support an actively-engaged-in farming (payment eligibility) determination.
- P&CP credit was erroneously given for ghost acres on five farms.
- On one farm, PP credit was erroneously given for ghost acres.
- There were two farms approved in 1993 for disaster credit on wheat where the [employee 5] initially annotated there was no evidence of seeding but then redated and initialed the notes without explanation.

The SCOR also reported the following concerns and observations.

- [CAO] involvement with a landlord (producer 2) may have constituted a conflict of interest.
- Producer 2's apparent sales of land to himself and to close family members resulted in farm reconstitutions which allowed tenants to participate in farm programs on existing CAB's while building CAB's on the farms' excess cropland.
- It was questionable whether measurements for farms operated by [CAO] were actually completed because all determined acreage was equal to reported acreage.
- Rice yields established for new rice farms resulting from reconstitutions were significantly higher than the existing rice yield on the parent farm.

An informational copy of the SCOR report was provided to the Arkansas SED, and the SCOR discussed the results of its review with the SED and [SAO].

ACOR Review

As a result of the SCOR review, the SED instructed an ACOR to conduct a followup review of the SCOR's concerns and observations. The ACOR reported in April 1998:

- [CAO] had no apparent conflict of interest concerning involvement with producers with whom there was close personal business, and
- there were no reconstitution errors out of the ordinary.

Based upon the ACOR review, the Arkansas FSA SED determined no further review was warranted.

Request for Audit

Due to the conflict between the findings of the ACOR and the findings of the employee misconduct investigation reports and SCOR report, in June 1998, FSA National Office officials requested that OIG perform an audit of the 1992 through 1996 disaster programs and farm reconstitutions at the CO. The officials stated disaster benefits may have been extended to acreage not planted or intended to be planted and farm reconstitutions had been used to increase the rice CAB's on some farms.

Prior OIG Audits

Audit No. 03097-4-Te, Maximum Payment Limitations in Jackson and Woodruff Counties, Arkansas, released in July 1989, revealed producer 2 used as many as 29 relatives, employees, and business associates to evade payment limitation in 1986 and 1987. Producer 2 controlled the entire farming operation through various family entities. The producers' financial records and farming bank accounts were maintained by the family entities, and the producers' FSA benefits and other farm income were turned over at or near the date of receipt to a custom farming entity (wholly owned by producer 2) or to other entities controlled by producer 2 or his immediate family. The true nature of the farming operations was concealed or not accurately reported to FSA so producer 2 and his family could obtain improper farm program payments totaling about \$2.8 million. The producers subsequently reorganized to evade the indebtedness and, in November 1992, the (former) agency administrator forgave any remaining debt.

The audit also revealed [CAO] violated landlord-tenant provisions of the 1986 program. [CAO] paid a landlord as rent a percentage of the FSA program payments but reported a cash lease arrangement to FSA, so 100 percent of the FSA benefits were issued to [CAO]. As a result, [CAO] was issued excessive payments (including the landlord's share) totaling about \$32,000 on a farm with ties to producer 2.

Audit No. 05600-5-Te, Crop Year 1991 Crop Insurance Claims, released in September 1993, although not an audit of FSA payment limitation provisions, showed producer 2 and his family-owned entities continued essentially the same *modus operandi* disclosed in the 1989 audit. The family-owned entities controlled producers' financial records and farming bank accounts. The audit identified numerous unexplained financial transactions among producers/insureds and

entities controlled by producer 2 and his family, including a seed and grain company, a fertilizer company, and an insurance agency which wrote crop insurance contracts for a reinsured company.

Definition of Entities Associated with Producer No. 2

During the 1998 crop year, producer 2 and/or his family members were stockholders in 4 entities that owned during the 1998 crop year 14 farms containing over 27,000 acres of cropland, about 9 percent of the county cropland. Producer 2 was also the 100-percent owner of another entity that was the producer on several farms. In recent years, producer 2 has not received program payments as an individual. However, he received program payments through the ownership interests in various corporations which were presented in records at the CO as the entities performing the actual day-to-day farming operations or owners or operators of the farmland. Our review of financial records of eight of the farming corporations showed that corporations owned by producer 2 and his family members received a majority of the program benefits paid to the farming corporations. The program payments were generally paid to the family-owned corporations, in which producer 2 had interests, as charges for farm operating expenses, land rental payments, and other undocumented reasons. The farming corporations cash leased farmland from the family-owned corporations.

For audit purposes, we defined the following as having ties with producer 2.

- The farmland was owned by corporations in which producer 2 or his family members owned corporate stocks.
- The farm operator was an individual or corporation that was an employee or agent of one or more of the referenced family-owned corporations.
- One or more tenants or the operator on the farm granted a power of attorney to producer 2, a family member of producer 2, or an individual who was an employee or consultant of one of the family-owned corporations.
- The farm operator was a corporation for which one of the above-referenced individuals acted as agent for the corporation in signing FSA farm program documents.

OBJECTIVE

Jackson FSA CO.

The objective of the joint review by OIG and FSA was to expand on the SCOR findings to determine the extent and validity of reported problems with program administration at the

SCOPE

The audit was initiated in June 1998 with the fieldwork completed in February 2000. The audit was performed at the CO in Newport and at the Arkansas STO in Little Rock, and generally

included transactions related to the 1992 through 1995 ARP, the 1993 and 1994 disaster programs, and the AMTA program participation beginning in 1996 (it continues through 2002).

Where applicable, we used system queries of computer-based data to identify program universes. We established data reliability through our reviews of the selected physical files. Exhibit C details CO payments to producers by program for calendar years 1992 through 1997.

Based on our preliminary confirmation of the SCOR findings on ghost acres (acres planted after a failed crop which are not eligible for P&CP credit) and reconstitutions, the FSA National Office detailed to the CO an FSA task force which reviewed rice P&CP credit for 1993 through 1995 and reconstitutions for 1992 and later years. (P&CP credit for 1993 through 1995 affected CAB's for 1994 and 1995 and contract acreage for 1996 and future years.) The task force also reviewed 1998 PFC payment eligibility. The task force determined whether basic eligibility documents were on file at the CO for each of the 1,013 producers who shared in the 1998 PFC payments.

Based on our confirmation of the SCOR findings, the work performed by the task force, and other conditions that came to our attention during the audit, we expanded our coverage to include a review of

- all reported 1993 and 1994 crop year failed and PP acres of rice double cropped behind wheat (see exhibit F);
- person determinations for the 1998 and 1999 crop years that involved 76 corporations with majority stockholders having 50-percent or greater interests in the corporations;
- 1996 and 1997 crop year payment limitation records for eight producers having ties with one family group (producer 2);
- seven 1996 peanut quota transfers;
- indicated actions by one producer to evade debt offset from program payments that he was scheduled to receive;
- about 14,000 CCC-issued checks between September 1, 1996, and July 10, 1998, to determine the extent such checks had not been processed or negotiated;

- complaints by one producer that he did not receive a 1993 disaster payment for reported losses on soybeans, another complaint that the farming activities of [CAO] conflicted with [CAO] duties in the CO; and
- the preparation and distribution of COC minutes for 1993 through June 1998.

This audit was conducted in accordance with Government auditing standards issued by the Comptroller General of the United States. Accordingly, the audit included such tests of program and accounting records as considered necessary to meet the audit objective.

METHODOLOGY

OIG Investigations assisted us with our entrance into the CO to help secure the office and records for our unhampered review of CO operations and program administration. The SCOR's were present and cooperated with OIG during the audit to provide technical expertise for the areas under review and to facilitate correction of documentation for current program participation.

The OIG initially controlled access to the CO and its records during the audit. In cooperation with the FSA National Office, the CO locks were changed, and OIG retained custody of the keys. The CO personnel were afforded reasonable access to the files, but were required to list the files removed as well as the dates, times, and reasons why they accessed the files, and the dates and times the files were returned. Auditors generally initialed and dated the list to certify the removals and returns of files. The list was retained in the working papers.

Neither the STO nor the CO was notified of the audit prior to the beginning of fieldwork, since knowledge of the audit could have impaired audit evidence or otherwise encumbered the audit process. Additionally, when we commenced fieldwork at the CO, FSA National Office officials detailed [CAO] and employee 1 away from the CO.

We reviewed employee misconduct investigation reports and the SCOR and ACOR reports as well as records maintained by the CO and STO. We interviewed CO and STO personnel, the COC members, and current and former [SAO] as well as the personnel who had performed the special and Arkansas COR's at the CO.

Based on preliminary audit findings, FSA detailed to the CO a task force to correct errors found or to perform actual reviews of program operations. The FSA National Office officials subsequently detailed the remaining CO employees away from the CO and detailed other (acting) employees, [CAO], to the CO to continue services to producers. All members of the task force, acting CO staff, and SCOR were FSA personnel from out-of-State, until November 1998, when FSA employees from Arkansas were detailed to the CO to perform day-to-day CO operations.

Also, as necessary to accomplish the audit objective, we interviewed producers and third parties, reviewed financial records of producers associated with producer 2, and reviewed crop insurance claim records maintained by crop insurance companies.

On February 2, 1999, FSA issued a report (Jackson County, Arkansas, Special Report) which compiled FSA findings at the CO. The information in the report concentrated mainly on the issues of reconstitutions and P&CP acreage problems.

FINDINGS AND RECOMMENDATIONS

CHAPTER 1 - BASES AND YIELDS MANIPULATED TO INCREASE PROGRAM BENEFITS

The FSA task force review confirmed that farm reconstitutions were used to build CAB's on nonparticipating farms. It also reported that P&CP credit was erroneously given for failed or PP rice reported after a failed wheat crop (such acreage should have been considered ghost acres). We also noted farms were erroneously given P&CP credit for failed or PP rice double cropped behind harvested wheat. In both of these situations, P&CP credit should not have been given because double cropping RBW was not a normal practice for the area. The improper P&CP credit was often used to build CAB's on farms that had been reconstituted (divided) from parent farms. The parent farms retained the CAB's and participated in programs while the new nonparticipating farms were used to build CAB's. In most cases where new CAB's were established, the COC established yields for the new CAB's that were substantially higher than the established yields on the parent farms.

The improper P&CP credit was given because the COC did not properly determine whether rice was normally double cropped behind wheat in the area and accepted producers' self-certifications of intentions to plant. The FSA task force also identified six farms for which 1992 rice yields or 1993 rice CAB's were increased, without authorization or justification, in the automated system. In addition, the task force found the COC had erroneously increased 1996 UPCN yields for 18 of 23 UPCN farms participating in the 1998 farm programs. As a result of the improper actions, 1996 through 2002 PFC payments made or scheduled to be made were overstated by about \$6.3 million (see exhibits A and D). While the task force adjusted payments for ghost acres (failed or PP rice behind failed wheat), it did not adjust payments for failed or PP rice behind harvested wheat. Ineligible payments totaling \$335,818, as detailed in exhibit E, resulted from these improper actions. Deficiency payments during 1992 through 1995 for the affected farms also would have been overstated, but we did not determine the amount other than on six farms where unauthorized base and yield increases were made.

Most of the manipulation of program requirements that resulted in improper actions to increase program benefits, as detailed herein, ultimately accrued to entities associated with one large producer in the county, producer 2. Over 93 percent of the overpayments identified in exhibit D (about \$5.8 of \$6.3 million) and about 48 percent of the overpayments in exhibit E (\$252,685 of \$522,445) were made for operations on farms having connections to entities associated with producer 2. (See page 6 of the Background section of this report for a discussion of how we identified such entities and their ties to producer 2.)

[CAO] and a relative also benefited from these actions. Beginning in 1994, they leased rice land from landowners associated with producer 2 on which CAB's had been built primarily through self-certified failed and PP rice acres on nonparticipating farms. These farms were subsequently combined with other farms, and some of them were used to build additional CAB's while others were enrolled in farm programs under which [CAO] and a relative received, or are scheduled to receive, about \$490,000 in payments.

**FARM RECONSTITUTIONS USED
TO CIRCUMVENT PROGRAM
REGULATIONS AND INCREASE
CROP ACREAGE BASES AND
YIELDS**

Records indicated manipulation of farm history data during farm reconstitutions permitted producers to build rice CAB's on new farms, while full program benefits were paid on the parent farms' previously established CAB's. Also, the COC established rice yields for new farms, resulting from the reconstitutions, that were substantially higher than rice yields on the parent farms. The resulting improper CAB's and increased yields were the basis for subsequently overstated deficiency and PFC payments. The overstated PFC payments are detailed in

FINDING NO. 1

exhibit D. Owners and operators made extensive use of farm reconstitutions to evade program regulations prohibiting CAB and yield increases on farms participating in farm programs. The CO personnel did not deter this practice because they did not follow program regulations for processing reconstitution requests and because they believed the reconstitutions were proper.

The ultimate outcome of many of the reconstitutions was that CAB's associated with individual farms in Jackson County were incorrect. As a result, both deficiency and PFC program payments (based on the CAB's) were incorrect. The FSA National Office instructed the task force to make a complete review of 1992 through 1995 reconstitutions and to correct PFC acreages and yields on the current (1998) farms as applicable for reconstitutions lacking required signatures, using the wrong methods of division, or otherwise completed in manners not consistent with reconstitution procedures.

As shown in exhibit D, CAB corrections for one crop sometimes affected the CAB of another crop. When the reconstitutions were initially processed, the total CAB's, based on normal cropping history, could not exceed the farm's total cropland. Generally, FSA corrections resulted in lowering the rice CAB and increasing the wheat or grain sorghum CAB that had been reduced when the rice CAB, generally associated with double cropping P&CP credit, exceeded the farm cropland.

The CO employees and COC considered the reconstitutions properly processed according to agency procedures, in spite of the fact that agency procedures prohibited approving reconstitutions when the primary purposes were to increase program benefits. Complacency on the part of the CO staff and COC members permitted, or at least failed to stop, this practice. The complacency was illustrated by the fact that often the agency Form ASCS-155, Request for Farm Reconstitutions (ASCS-155), used to request a reconstitution of a farm(s) was not signed and/or dated by the farm owner or operator; nor were verbal requests documented in the file.

The reconstitution process generally divided the parent farm into new farms with the rice CAB of the parent farm being segregated to a specific farm (or farms) where cropland was sufficient to accommodate it. The other new farms received no rice CAB's and subsequently built CAB's through P&CP rice credit based on the farm operator's self-certification of failed and PP cropping activity. (The questionable nature of P&CP credit via the farm operator's self-certification of crop losses is further discussed in Finding No. 2.)

A reconstitution may be initiated by the farm operator, an owner, or by the COC.¹ Owners may designate the manner in which the CAB's are divided,² although building CAB's is prohibited on participating farms.³ Generally, farms are to be combined if they are under common ownership⁴, but farms under separate ownership may be combined if all owners agree in writing.⁵ A farm division may be required if part of the farm is sold. A multiple-ownership farm may be divided whenever an owner requests in writing that the owner's land no longer be included in the farm.⁶

¹ Forms ASCS 155, initiated by the COC, are not required to have owner or operator signatures unless farms are under different ownership. Title 7, Code of Federal Regulations (CFR) 719.5, January 1, 1992, edition; FSA Handbook 2-CM (Revision 3), paragraph 70 A, dated December 5, 1991.

² 7 CFR, part 719.8 (c)(4), January 1, 1992, edition; FSA Handbook 2-CM (Revision 3), paragraph 122A, dated December 5, 1991.

³ FSA Handbook 5-PA (Revision 10), paragraph 726 B, dated October 23, 1992.

⁴ FSA Handbook 2-CM (Revision 3), paragraph 88 B, dated December 5, 1991.

⁵ FSA Handbook 2-CM (Revision 3), paragraph 89 B, dated December 5, 1991.

⁶ 7 CFR 719.3 (d)(3), January 1, 1992, edition; FSA Handbook 2-CM (Revision 3), paragraph 112 A, dated December 5, 1991.

Land properly constituted is to remain so constituted until a change in operation or ownership occurs that requires reconstitution.⁷ The COC is required to annually determine whether land is properly constituted and initiate action to properly constitute all land that is improperly constituted.⁸ Farms are to be reconstituted as soon as it is determined that a change has occurred that requires the land to be reconstituted, and, to the extent practicable, is to be based on the facts and conditions existing at the time the change requiring the reconstitution occurred.⁹

Notwithstanding these provisions, a reconstitution is not to be approved if the COC determines the primary purpose of the reconstitution is to increase program benefits or to circumvent any other program provision.¹⁰ If the farm was reconstituted because of a misrepresentation (including knowingly taking actions to defeat program purposes), the farm is to be properly reconstituted, and the effective date of such reconstitution for all purposes is to be retroactive to the date the farm was improperly constituted.¹¹ Descriptions of the five methods of division follows.¹²

PRIORITY ORDER	METHOD OF DIVISION	DESCRIPTION
1	Estate	The division of CAB's and P&CP for a parent farm among the heirs in settling an estate.
2	Designation by Landowner	The division of CAB's and P&CP in the manner agreed to by the parent farm owner and purchaser or transferee.
3	Contribution	The division of CAB's and P&CP in the same proportion that each tract contributed to the parent farm at the time of combination.
4	Cropland	The division of CAB's and P&CP in the same proportion that the cropland for each tract or resulting farm relates to the cropland on the parent tract or farm.
5	History	The division of CAB's and P&CP according to the operation normally carried out on each tract during the base period.

⁷ 7 CFR 719.3(a), January 1, 1992, edition; FSA Handbook 2-CM (Revision 3), paragraph 69 A, dated December 5, 1991.

⁸ FSA Handbook 2-CM (Revision 3), paragraph 70 B, dated December 5, 1991.

⁹ 7 CFR 719.7(a), January 1, 1992, edition; FSA Handbook 2-CM (Revision 3), paragraph 71 A, dated December 5, 1991.

¹⁰ 7 CFR 719.3 (d)(9), January 1, 1992, edition; FSA Handbook 2-CM (Revision 3), paragraph 69 B, dated December 5, 1991.

¹¹ 7 CFR 719.7 (b)(3), January 1, 1992, edition; FSA Handbook 2-CM (Revision 3), paragraphs 75 A and B, dated December 5, 1991.

¹² 7 CFR 719.8, January 1, 1992, edition; FSA Handbook 2-CM (Revision 3), paragraphs 120 through 125, dated December 5, 1991.

Crop Yields Inappropriately Increased

Crop yields on newly established (reconstituted) farms were higher than the yields that existed on the parent farms. These increased yields resulted in increased program payments under 1996 through 2002 PFC contracts. For example, under 1992 reconstitution A20033, the parent farm's rice payment yield was 3,216 pounds per acre on a CAB of 75.1 acres. After several subsequent reconstitutions, the resultant farm was enrolled in the 1996 through 2002 AMTA program with a rice payment yield of 5,165 pounds per acre on a CAB of 406.6 acres.

When the entire CAB and associated payment yield was given to only one of several farms divided from a parent farm, the other farms were used to build rice CAB's usually through the use of failed or PP rice. The COC would then establish a payment yield by selecting three farms which were represented to be similar in nature. Generally, the three similar farms had established crop yields substantially higher than the parent farm had prior to the reconstitution. In essence, the reconstitution process was used to increase rice yields that could not otherwise have been increased.

[CAO] and a Relative Benefited from Reconstitutions and Building CAB's

[CAO] and a relative were the beneficiaries of the reconstitution process where cropland in excess of the CAB was split from the parent farm to build new rice CAB's (generally at higher yields than the parent farm) and to use PP and failed rice to get P&CP credit. It started in 1992 when farm 68 was divided into nine farms with farm 100 receiving the entire 1,847.7 rice CAB, while the other eight farms received no CAB's. The newly created farms should have received the same proportion of CAB that each tract contributed to the parent farm; however, someone in the CO, without authorization or justification, changed the contribution percentages in the automated computer system. The other farms were used to build CAB's. One of these other farms, farm 95, had 327.8 acres of failed rice in 1992 from which, during reconstitution A30048, farm 111 received a 36 CAB (farm 112 received the remaining 73.3 CAB). Farm 111 was combined with farm 120 to make farm 121 with a 36 rice CAB. The farm manager for producer 2 certified for 1993 that the farm had 68.5 acres PP rice and 134 acres failed rice resulting in a new rice CAB of 103.5 acres (68.5 plus 134 divided by 3 plus 36).

With reconstitution A40079, farm 121 was divided into farms 130 and 131 with CAB's of 12.1 and 91.4 acres, respectively. Farm 112 (having previously received 73.3 CAB from farm 68 and having 327.8 acres of failed rice in 1993) was divided into four farms in 1994, two of which were farms 137 and 138 with CAB's of 115.9 and 69.9, respectively. For 1994, farm 137 with its 115.9 CAB was combined with farm 141 which had received the entire 91.4 CAB from farm 131 to form farm 143 with a 207.3 CAB. This farm, owned by a corporation associated with producer 2, was enrolled in the 1994 ARP by [CAO] relative (41 percent) and a

corporation equally owned by [CAO] and a relative (59 percent), who certified the farm had 178.3 acres of failed or ghost rice. They were paid \$36,910. [CAO] relative also participated in the 1994 ARP and received \$12,443 on farm 145 (owned by a corporation associated with producer 2) with a 69.9 CAB, all of which were certified failed. (Farm 138 with 69.9 CAB and farm 142 with no CAB combined to make farm 145.) During 1994, [CAO] relative (69 percent) and a corporation owned equally by [CAO] and a relative (31 percent) certified nonparticipating farm 144 (owned by a corporation associated with producer 2), which had a 0 CAB, had 209 acres of failed rice. This established a 69.7 CAB (209 divided by 3) that was transferred via reconstitution A50008 to farm 149.

Via reconstitution A50010, which [CAO] approved despite having interests in the farms, farms 143, 148, and 149 were combined into farm 152 (owned by a corporation associated with producer 2) with a 312.9 CAB that was enrolled in the 1995 ARP and received \$43,830 by [CAO] relative and a corporation equally owned by [CAO] and a relative. The corporation owned by [CAO] and a relative also received \$12,298 under the 1995 ARP on farm 153 (owned by a corporation associated with producer 2), which had an 86.3 CAB acquired via reconstitution A50011, also improperly approved by [CAO] who had an interest in the farm, combining farms 145 and 150. Also, during 1995, [CAO] relative planted 92 acres of rice on nonparticipating farm 151 which had no rice CAB.

In 1996, via reconstitution A60061 approved by the COC, farms 151, 152, and 153 were combined into farm 163 (owned by a corporation associated with producer 2) with a 506.1 CAB. Part of the farm was enrolled by [CAO] relative (.3184 share) and the corporation equally owned by [CAO] and a relative (.5435 share) in the 7-year AMTA program under which they will earn about \$384,338. The remaining .1381 share was enrolled by a corporation related to producer 2.

In summary, [CAO] and a relative were the primary beneficiaries of a series of farm reconstitutions occurring over a 5-year period that built CAB's primarily through the use of PP and failed rice acres on nonparticipating farms that were subsequently combined with other farms and enrolled in the programs. As a result of these actions, [CAO] and a relative have received, or are scheduled to receive, about \$490,000 in 1994 and 1995 ARP and 1996 through 2002 PFC payments that resulted from their leasing of farms owned by corporations associated with producer 2.

Purported Land Sales to Family Members

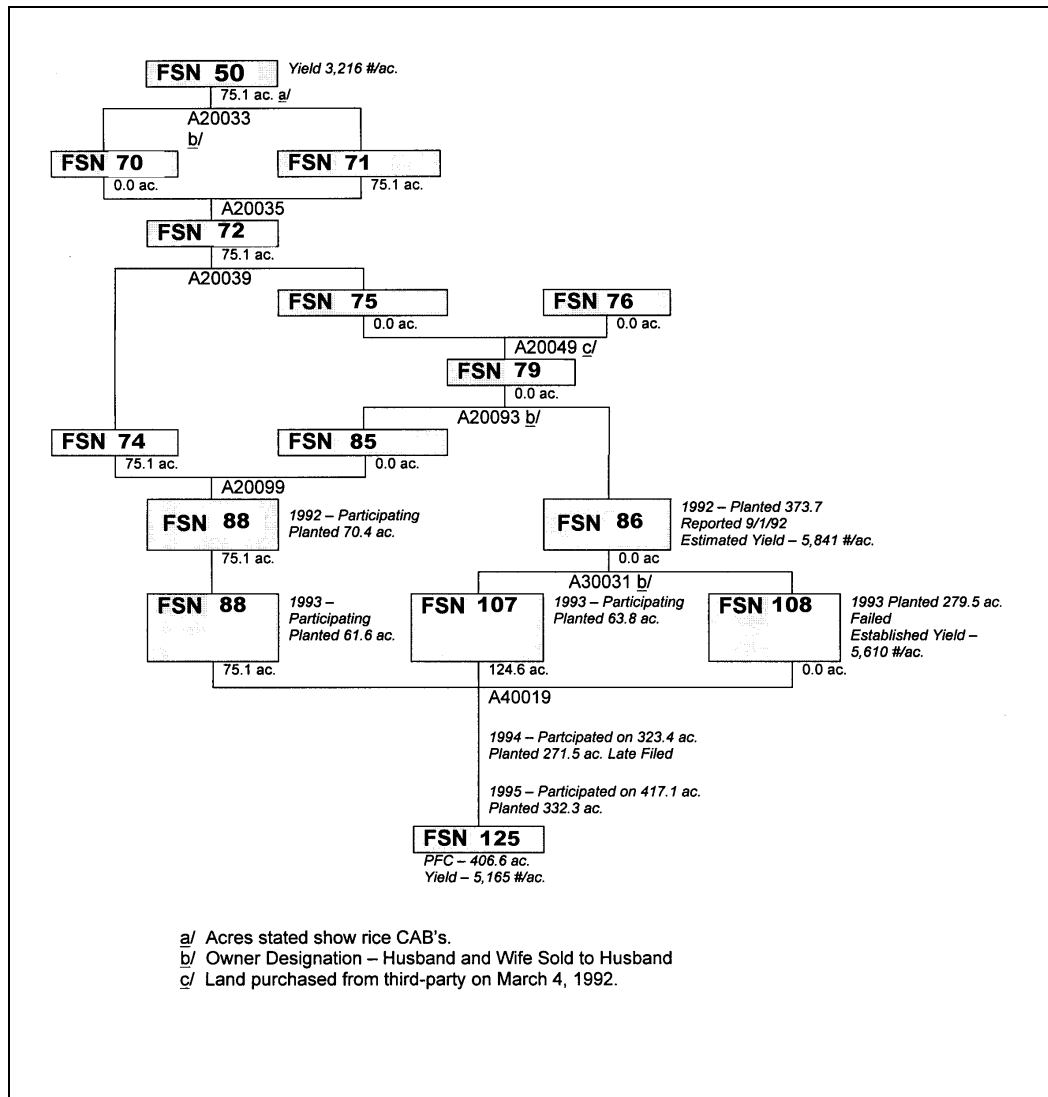
In 1994, farm 112 was reconstituted as farms 136, 137, 138, and 139 using the owner designation method. Farm 112 was owned by corporation 38, whose president and secretary-treasurer were husband and wife. The corporation sold 274 of the 382 acres that constituted farm 112. The CO records contained copies

of recorded warranty deeds that were used to justify the owner designation method used to process the reconstitution and distribute the rice CAB, as follows.

FARM	ACRES OF FARMLAND	RICE CAB
136	81.0	0.0
137	128.0	115.9
138	77.0	69.9
139	96.0	0.0

Farm 136 was sold to an unrelated party. Farm 137 was divided to the corporation's president (husband); farm 138 was divided to the secretary-treasurer (wife); and farm 139 was retained by the corporation. These transfers among the corporation's stockholders allowed the entities to build rice CAB's and increase program benefits as the entities earned deficiency payments in 1994 and 1995 on the two farms with rice CAB's and built a rice CAB on the third. These improper CAB's were also enrolled in AMTA program PFC's. As previously discussed (see bottom of page 14), [CAO] and a relative were the ultimate beneficiaries of the rice CAB's allocated to farms 137 and 138 in that they enrolled the resulting farms in farm programs after they were subsequently combined with other farms.

Another reconstitution (A20033) involving farm 50 was processed in 1992 using the owner designation method based on the reported sale of land to a husband that was previously owned jointly by the husband and his wife. The CO was provided with a copy of a quitclaim deed that was used as justification for approving the reconstitution. There were seven subsequent reconstitutions between 1992 and 1994, with the last one consolidating all the previously created farms into one, as shown in the following diagram.



As shown, the husband and wife received rice deficiency payments in 1992 and 1993 on the original 75.1 acres of CAB while building CAB's on other new farms that did not receive rice CAB's. Through the use of reconstitutions and P&CP credit for planted and failed rice, the producers increased the 1992 rice CAB of 75.1 to 406.6 acres as of 1996 when the CAB's were enrolled in AMTA. The rice yield also increased from 3,216 pounds in 1992 to 5,165 pounds in 1996.

During the audit, FSA reduced the rice CAB from 406.6 acres to 366.2 acres. The questionable increase in yield from 3,216 pounds to 5,165 pounds was not corrected by FSA during the review.

The FSA adjustments on this case involved CAB's created through improper P&CP credit on the nonparticipating farms, but FSA did not address the issue of

restitutions using land sales among family members when the only effect on operations was to increase program benefits. In accordance with aforementioned program regulations, the farm sales between the family members and resulting farm divisions should not be allowed. Accordingly, the rice CAB should be reduced to the original 75.1 acres CAB, and starting in 1994, all program benefits earned on CAB's in excess of 75.1 acres should be recovered. The difference was substantial since in 1996, farm 125 was paid \$74,178 in PFC payments based on a CAB of 406.6 acres and a yield of 5,165 pounds but would have been paid only \$8,526 had it been based on a 75.1-acre CAB and a yield of 3,216 pounds, a difference of about \$460,000 for the 7-year life of the AMTA program ($(\$74,178 - \$8,526) \times 7$).

COC Did Not Adequately Evaluate Reconstitution Requests

The CO [] told us that land sales among either family members or corporations and their stockholders were not questioned. The [] considered a recorded deed sufficient evidence that a land sale occurred. [CAO] was of like mind and told us there was nothing wrong or illegal with reconstitutions initiated as a result of land sales. [CAO] and the COC said that when they approved the reconstitutions, they did not make determinations as to whether the reconstitutions were designed to increase program benefits. As previously stated, such determinations are required, and if the COC so determines, the reconstitution is not to be approved. We concluded that if the requests involving land sales to family members had been adequately evaluated, a prudent person should have questioned whether the reconstitution was designed to increase program benefits.

FSA Corrected Farm Records for Some But Not All Irregularities

Of the reconstitutions illustrated as examples, all but one involved entities associated with producer 2. The FSA adjusted all CAB's created by improper P&CP credit for ineligible ghost acres. However, FSA did not address the validity of the reconstitutions involving land sales among family members and/or corporations and their stockholders. We concluded that the primary effect of those reconstitutions was to increase program benefits, which was prohibited by agency procedures. The resulting CAB's and yield increases corrected by FSA are reflected in the adjustments shown in exhibit D. These adjustments involving ghost acres, together with our recommended corrective action for improper P&CP credit for other than ghost acres, should correct the improper CAB's on farms where FSA did not question the validity of the reconstitutions.

RECOMMENDATION NO. 1

Verify that rice CAB's, yields, and payments for farms associated with [CAO] (farms 143, 144, and 145 for 1994; farms 151, 152, and 153 for 1995; and farm 163 for 1996 through 2002), with reconstitution A20033 involving land sales between a husband and wife (parent farm 50, and farms 88, 107, and 125) and with the cited corporations involving land sales to family members (farms 137, 138, and 139) are properly adjusted as part of the corrective action taken on Recommendations Nos. 2, 3, and 4.

FSA Response

The FSA determined the correct rice CAB's and program payment yields for these and all farms subject to COR and audit review. The corrections were carried forward which resulted in the revision of the PFC's effective for years 1998 through 2002. The contract payment acres and payment yields reflected these corrections.

OIG Position

We are in agreement with the corrective action that has been taken; however, to reach a management decision, we need evidence that the overpayments relating to reconstitution A20033 have been collected or forgiven. During the audit, as shown in exhibit D, the rice CAB for farm 125 (resultant farm of reconstitution A20033) was reduced from 406.6 to 366.2 acres, but the 5,165 pound rice yield was not adjusted. We have since received information from the CO showing the rice CAB and yield have been adjusted to levels that existed on parent farm 50 (75.1 acres CAB and 3,216 pound yield) before the reconstitutions.

RICE BEHIND WHEAT WAS INELIGIBLE FOR ACREAGE CREDIT

FINDING NO. 2

The Jackson COC improperly approved P&CP and/or disaster credit for 11,279.4 acres of RBW for 1993 through 1995. The P&CP credit included 8,289.9 acres of failed or PP rice and 6,384.6 acres of ghost rice (of which 3,398.1 acres were duplicated as failed and PP acres) as detailed by individual farms in exhibit F. This occurred because the COC did not properly determine whether it was normal to double crop RBW and whether RBW was PP or failed because of natural disaster conditions. The improper P&CP credits for ghost acres, plus the unauthorized CAB and yield increases reported on this finding and Finding No. 3, resulted in overstated PFC payments made, or scheduled to be made, of \$6.3 million as shown in exhibit D.

Doublecrop Must Be Normal

For cases of PP or failed program crop acreage on which any later different crop will be planted, acreage is considered planted to the crop according to the following table.¹³

IF...	AND...	THEN...
Form ASCS-574 is approved for the first crop and the first intended crop was not harvested because of PP or failed conditions	the second crop is not an allotment or poundage quota crop	the later crop acreage shall be ghost acres and not be considered planted for P&CP credit, deficiency payments, or price support loans.
the producer elects to receive planted acreage credit for the second crop	<p>the second crop is normally planted in a doublecropping situation in the area after the first crop is taken to harvest</p> <p>Exception: If the second crop has been planted in a doublecropping situation after the first crop was harvested during 3 of the past 5 years, the second crop may be considered planted.</p>	the later crop acreage shall be considered planted to the second crop and eligible for P&CP credit, deficiency payments, and price support loans.

For disaster purposes, the historical cropping pattern on a farm and the cropping pattern for the area determine whether a second different crop is a normal doublecrop and eligible for disaster benefits. The COC must determine whether the second crop was planted with the intent to harvest and if the farm has a doublecropping history. A farm is considered to have a doublecropping history when the following apply.

- ◆ The specific first and second crops are normally planted in a doublecropping situation in the area, and
- ◆ any crops were planted as doublecropped on the farm in either:
 - the year prior to the disaster year or the corresponding year in the rotation, or
 - 3 of the 5 years preceding the disaster year or the corresponding year in the cropping rotation.¹⁴

¹³ FSA Handbook 5-PA (Revision 10), paragraph 1609 B, dated January 30, 1992, and December 22, 1994.

¹⁴ FSA Handbook 1-PAD (Revision 2), paragraphs 126 A and B, dated December 18, 1992 (applicable to the 1993 disaster program). Handbook 1-PAD (Revision 3), paragraphs 148 A and B, dated November 23, 1994 (applicable to the 1994 disaster program).

The COC was not to approve PP or failed acreages claimed on Forms ASCS-574, Application for Disaster Credit, unless the PP or claimed loss of production (in the case of failed acreage) was due to a disaster rather than managerial decision.¹⁵

Normalcy of RBW and Cause of Loss

The CO employees, COC, and producers maintained that RBW was a normal practice in Jackson County, but could not provide any conclusive evidence to support that contention. Although [CAO] could not remember documenting in the COC minutes that RBW was a normal practice, [CAO] considered it normal because it was "possible." We discussed the normalcy of farming RBW with each of the CO employees, COC members, crop consultants, producers, and the county extension agent.

As evidence of the feasibility of RBW, the county extension agent, current extension (rice) agronomist, and a crop consultant¹⁶ presented a University of Arkansas fertilizer recommendation for rice following wheat. However, we found the fertilizer recommendation (in the University's Rice Production Handbook) is specific to rice which follows wheat "in rotation," that is, in a fixed order of succession, not necessarily in the same crop year. The county agent interpreted the fertilizer recommendation to apply to either rice following wheat in rotation or to rice double cropped behind wheat. However, we noted the same paragraph in the Rice Production Handbook includes fertilizer recommendations for rice following rice "in rotation," rice following cotton "in rotation," and rice following grain sorghum "in rotation." Even the county agent and crop consultant acknowledged rice cannot be double cropped behind those crops. Therefore, we concluded the University's fertilizer recommendation was not specific to rice double cropped behind wheat.

Another crop consultant provided a signed statement characterizing the practice of double cropping RBW as a "common and acceptable practice," but later admitted that RBW was "not a real common practice, but it was acceptable." However, the crop consultant would not recommend it because it was a more difficult practice to manage. The crop consultant said producers run the risk of cool weather "on the backside" when the rice is flowering and have to use the right agronomic practices to "bring the rice along."

During the audit, 57 producers attested that rice had been grown behind wheat in Jackson County for several years and was considered to be a common practice, but only 19 of the 57 producers provided affidavits that they had personally farmed RBW. A total of 25 producers (including the 19) provided affidavits of their histories of planting RBW for at least 1 year, but only 8 of the producers claimed

¹⁵ FSA Handbook 5-PA (Revision 10), paragraphs 1607 D and E, and 1608 A, dated January 30, 1992, and June 21, 1994.

¹⁶ A local seed plant manager.

to have farmed RBW in 3 or more years. (The affidavits did not specify the year(s) in which the producers farmed RBW or the numbers of acres or farm numbers on which they farmed RBW.) We did not verify the producers' claimed RBW histories.

The SCOR compiled CO records of the history and relative success of RBW in Jackson County for 1989 through 1995. Information about the total rice acreage in comparison to RBW acreage and the relative success of that practice is shown in exhibit G. The SCOR specifically reviewed farm histories for 1992 through 1995 and found there were no farms during that 4-year period for which RBW was reported for 3 or for all 4 years, and only 5 farms showed RBW in 2 of the 4 years. The average RBW acreage for the 5 farms was 46 acres. As shown in exhibit G, for each of the years 1989 through 1995, only a small percentage (no more than about 7 percent) of the total rice in Jackson County was reported as following wheat, and then, even less RBW was reported as a successful doublecropping situation.

In addition, the SCOR performed a review of RBW in Woodruff County, Arkansas, for 1992 through 1995, to determine if RBW was a normal practice in that adjacent county. (Woodruff County adjoins the south side of Jackson County.) The review disclosed that less than 1 percent of the rice in Woodruff County was reported as having been double cropped behind wheat for each year reviewed.¹⁷ In each of the 3 years, less than 500 acres were reported as double cropped RBW.

Further, in at least two different cases, the STC determined RBW was NOT a normal practice in Jackson County:

- A December 15, 1995, STO letter to Jackson County producer 16 (as agent for producer 12) stated

RBW requires favorable weather conditions during May and June to make the practice work. It is a management decision to try and make this practice work. There are very few RBW acres in Arkansas because producers know that it is a risky practice and does not bud itself in most years to plant due to normal Arkansas weather conditions.

Producer 12 was denied 1994 disaster benefits on farm 132 for 656.7 acres of PP RBW. This determination was upheld through a National Appeals Division (NAD) hearing officer determination.

¹⁷ Like the Jackson COC, the Woodruff COC improperly approved P&CP credit for "ghost" rice (behind failed or PP wheat). However, the SCOR determined such improper approvals did not adversely affect the Woodruff County farms' P&CP credit. According to the SCOR, with the exception of two farms (one in 1992 and one in 1995), the farms in Woodruff County were participating in FSA production adjustment programs and were thus subject to other provisions which protected the farms' P&CP rice acreages.

- An August 30, 1996, STO letter to Jackson County producer 27 (as a fee basis agent for producer 38) stated

*The STC also noted that the planting of RBW is not done on a large basis across Arkansas. The reason is that it takes ideal weather conditions for the double cropping practice of wheat and rice to work. It is totally a management decision to try and use this practice since it can only be done under the very most ideal weather conditions and wheat varieties that mature early must be used. * * * Since this is a risky management decision the practice is only used on a very limited basis by rice producers in Arkansas.*

Producer 38 was denied 1994 disaster benefits on farm 37 for 981.7 acres of PP RBW. This determination was upheld by a NAD hearing officer and by a NAD Director's review.

As shown in exhibit G, the reported successful doublecropping of RBW increased during 1995 (1,812.8 acres compared to less than 400 acres in any of the prior 3 years). The producers reported to FSA that both wheat and rice crops had been successful on the 1,812.8 acres. Although, the number of doublecropped rice acres increased in 1995, they still represented a nominal percentage (2.77) of total rice planted in Jackson County. We found that Federal Crop Insurance Corporation indemnity payments were paid on about 38 percent of the rice acreage (700.3 divided by 1,812.8) that was reported to the CO as double cropped behind wheat. These two facts further illustrate that doublecropping RBW was not a normal farming practice for Jackson County.

Based on our collection and analysis of data from various sources, we concluded RBW was a limited practice not normal for the Jackson County area and the loss of rice in such situations was attributed to the management decision to plant in that manner. Thus, the COC generally should not have approved P&CP or disaster credit for RBW.

The inappropriate approval of P&CP credit for ghost rice behind failed or PP wheat resulted in a total overstatement of 6,384.6 acres rice P&CP credit for 1993, 1994, and 1995 on 75 farms. (Exhibit F shows the affected acreage by farm for each year.) The CO should have considered the ghost acres ineligible for P&CP credit, deficiency payments, or price support loans. The SCOR determined the CO issued deficiency payments on almost all acreage that should have been considered to be ghost acres, but FSA did not take action to collect any of the deficiency payments or the 1996 and 1997 PFC payments based on the improper P&CP credit. Instead, FSA corrected the acres prior to the computation of 1998's and subsequent years' PFC payments.

During the audit, the FSA task force and SCOR recalculated contract acreage for PFC purposes; they reduced 1993, 1994, and 1995 rice P&CP for ghost rice behind failed or PP wheat, except for those participating farms with sufficient CU acres for P&CP and flex acres to protect the CAB.¹⁸ The PFC payments for 1998 and future years will be based on the corrected contract acreage.

Of the 64 farms in exhibit D, there were 39 farms with rice CAB and/or yield adjustments that received, or were scheduled to receive, erroneous PFC payments of \$6.1 million. Of the 39 farms, 15 were associated with entities having connections to producer 2 and would have received about 96 percent (\$5.8 million) of the total overpayments. Also, FSA has not taken action to adjust CAB's and yields for the remaining 4,912.8 acres (total RBW of 11,297.4 less 6,384.6 ghost acres) of P&CP credit for failed or PP RBW. Such adjustments will result in questioned PFC payments of \$335,818 on 15 farms, as shown in exhibit E. Because of subsequent reconstitutions and rice CAB adjustments by the task force for ghost acres, our computed adjustment in exhibit E did not include all farms detailed in exhibit F. We did not attempt to quantify the monetary offset of these adjustments under the 1993 through 1995 ARP, but are making appropriate recommendations herein for FSA to do so.

RECOMMENDATION NO. 2

Determine the amount of crop years 1993 through 1995 deficiency overpayments that resulted from improper CAB and yield adjustments and recover these payments for farms listed in exhibits D and E.

FSA Response

The FSA agreed with OIG's finding that there were improper CAB and yield adjustments. However, because of the apparent involvement of CO personnel, the decision was made that collection of overpayments for 1993 through 1995 would not be pursued unless criminal activity is determined by OIG.

OIG Position

Criminal and civil remedies are still being pursued. Our position on these overpayments will be communicated to FSA after the investigation and legal processes are completed. To reach a management decision, we will need documentation to fully explain the rationale behind FSA's position to forego collection for cases where collection of the overpayment will not be pursued. We request that no action be taken on the overpayments listed in exhibits H and I until the investigation and legal processes are completed.

¹⁸ The task force also reduced rice P&CP for ghost rice behind failed or PP oats.

RECOMMENDATION NO. 3

Obtain refunds of crop years 1996 and 1997 PFC overpayments of \$1,555,706 for the farms identified in columns 8 and 9 of exhibit D. (Note: During the audit, 33 entities associated with producer 2 created new corporations to replace those receiving PFC payments, many of which were identified as receiving overpayments in this report. If this was done to avoid offset of these identified overpayments, FSA needs to initiate appropriate action to hold the new entities liable for the past overpayments.)

FSA Response

The FSA agreed with OIG's finding of overpayments on these farms. However, because of the apparent involvement of CO personnel in making improper payments, the decision was made that collection of PFC overpayments for 1996 through 1997 would not be pursued unless criminal activity is determined by OIG.

OIG Position

Our position is the same as that stated for Recommendation No. 2. To reach a management decision, we need documentation to fully explain the rationale behind FSA's decision to forego collection of the overpayments.

RECOMMENDATION NO. 4

Reduce 1993, 1994, and 1995 rice P&CP credit for PP or failed RBW other than ghost acres, adjust the improper CAB's/contract acreage as applicable, and make the appropriate adjustments of \$335,818 in the PFC payments for the 15 farms listed in exhibit E. Also recover 1993 through 1995 overpayments for those same farms.

FSA Response

The FSA verified and corrected 1993 through 1995 P&CP for all affected crops on the farms which were the subject of the COR and audit review. The corrections and CAB revisions were carried forward to the resultant PFC payment acres. In regard to the recovery of overpayments, FSA determined not to initiate collection unless criminal activity is determined by OIG because of the apparent involvement of CO personnel in making the improper payments.

OIG Position

The information we obtained from the task force showed that adjustments for rice P&CP credit for PP or failed RBW were not made if it did not involve ghost acres. For us to reach a management decision, we need evidence that CAB adjustments were made for the improper P&CP credit for the 15 farms listed in exhibit E. Also, we need additional documentation to fully explain the rationale behind the decision to forego collection of the overpayments.

UNAUTHORIZED CHANGES TO AUTOMATED FARM RECORDS

FINDING NO. 3

task force found UPCN yields had been increased without authorization in 1996 for 18 of 23 farms with existing UPCN CAB's. The COC approved the UPCN yield increases when regulations prohibited such increases.

As a result of the above actions, about \$3.2 million in program benefits have been, or were scheduled to be, overpaid on the farms affected by the unauthorized CAB and yield changes (see exhibits H, I, and J). Further, benefits of almost \$3.3 million occurred to subsequent farms associated with one improper 1992 reconstitution where contribution percentages were changed in the automated system. These overpayments pertaining to the 1996 through 2002 AMTA program are included in exhibit D. (There was some duplication in the two monetary amounts.)

Specifically, we noted the following unauthorized changes were made to automated farm records.

- Rice CAB's were increased on four farms in 1993, increasing program benefits by an estimated \$2,021,068 from 1993 through 2002. (See exhibit H.)
- Rice payment yields were increased on two farms in 1992, increasing program benefits by an estimated \$1,002,244 from 1992 through 2002. (See exhibit I.)
- Cotton yields were increased on 18 of the 23 farms with a cotton CAB in 1996. Although such yield increases were not authorized by program regulations, this action increased benefits on these farms by an estimated \$173,349 for 1996 through 2002. (See exhibit J.)

- Changes were made in the contribution percentages used to allocate the CAB of a parent farm (farm 68) to nine resulting farms. Producers on the farms resulting from this reconstitution, and subsequent divisions and combinations of the related farmland, have or would have received increased total program benefits estimated at \$3,280,424 for 1996 through 2002.

An "original" CAB can only be changed by an automated reconstitution or by updating P&CP credit in the system.¹⁹ A CAB correction was to be documented on Form ASCS-480, Documenting Corrections for CAB's, and in the COC minutes. The COC was to document how the error occurred, who was responsible for the error, how the error was verified, and correct any incorrect data.²⁰

Current year program payment yields are not based on actual yield data or proven yields.²¹ Generally, the current year yield will be the 1990 program payment yield,²² but may be updated for COC adjustments, to establish a new yield, or due to an appeal.²³ A change to the yield was made through the automated farm crop record.

The entire questioned amounts associated with the unauthorized rice CAB and yield changes (\$2,021,068 and \$1,002,244, respectively), discussed below, apply to farms associated with producer 2. An additional amount (\$27,093 of the \$173,349 total) pertaining to unauthorized cotton yield increases was also applicable to farms associated with producer 2. Further, the unauthorized change in contribution percentages involving the 1992 reconstitution of the original farm 68 involved farms associated with producer 2, with [] CAO] ultimately having an interest in the rice on some of these farms. [] CAO] relative and corporations owned equally by [] CAO] and a relative received, or are scheduled to receive, about \$490,000 in deficiency and PFC payments on these farms (see Finding No. 1). Thus, the primary beneficiaries of the unauthorized changes discussed in the subsection that follows were associated with producer 2, including [] CAO] and a relative.

Unauthorized Rice Yields and CAB Increases

Without justification or authorization, rice yields for two farms were increased in 1992, and rice CAB's for four farms were increased in 1993. This occurred

¹⁹ FSA Handbook 3-CM SCOAP (Revision 1), paragraph 143 C 3, dated March 15, 1991.

²⁰ FSA Handbook 5-PA (Revision 10), paragraphs 113 D and E, dated January 30, 1992.

²¹ FSA Handbook 5-PA (Revision 10), paragraph 142 A, dated January 30, 1992.

²² FSA Handbook 5-PA (Revision 10), paragraphs 144 A and 147 A, dated January 30, 1992.

²³ FSA Handbook 3-CM SCOAP (Revision 1), paragraphs 145 A and C, dated April 24, 1992.

because someone accessed the CO automated system and arbitrarily increased the established yields and CAB's. These unauthorized changes went undetected because controls designed to detect such errors were not functioning as intended. As shown in exhibits H and I, overpayments totaling \$2,021,868 resulted from the CAB increases, and overpayments totaling about \$1,002,244 resulted from the yield increases, respectively. Rice yields or CAB's were increased on six farms in 1992 and 1993 as shown in the following table.

FARM	PER CO	PER REVIEW	UNAUTHORIZED INCREASE
1992 YIELD (POUNDS/ACRE)			
80	5,816	3,816	2,000
87	5,238	4,238	1,000
1993 CAB (ACRES)			
115	975.5	775.5	200.0
117	943.0	643.1	299.9
118	1,528.6	1,228.6	300.0
119	1,686.4	1,186.5	499.9
Total	5,133.5	3,833.7	1,299.8

Automated computer transaction records for 1992 increased rice yields were not available at the time of our review. Thus, while we could confirm from CO records that the changes were made and that the changes were unauthorized, we could neither determine the computer terminal used to affect the changes or the person responsible, and no one admitted having made the changes. Likewise, for the 1993 unauthorized increased rice CAB's for four farms, no one admitted making the unauthorized transactions. However, we were able to document the dates, times, and nature of the changes, along with the identification of the computer terminal used to complete the changes.

Each of the four unauthorized CAB increases was affected on April 13, 1993, when someone changed the farms' P&CP histories for 1988 through 1992 in the automated system, triggering an automatic recalculation of the 1993 CAB.²⁴ The individual signed onto the system using the communications' User ID. (The communications' User ID was not assigned to any one individual. It was to be used only to perform start- and end-of-day routines and backups, to initialize tapes and diskettes, and to transmit data.) All CO employees reasonably had access to the communications' User ID password.

²⁴ For rice, the CAB was the average of the P&CP from the immediately preceding 3-year period. A producer participating in the production adjustment program for any crop on the farm was forbidden to build or increase any of the CAB's for the farm.

The unauthorized increases were accomplished at the workstation assigned to employee 3, who was out of the office, on April 13, 1993, the date when such increases were affected. Employees 1, 2, 5, 6, 7, and 8 were in the office on April 13, as were two temporary employees. ([CAO] was at the STO.) The unidentified individual accessed the records for farm 117 at 1:27 p.m., farm 115 at 1:29 p.m., farm 118 at 1:34 p.m., and farm 119 at 1:36 p.m. The speed with which the user accomplished the changes was indicative of a practiced familiarity with the process of CAB corrections.

Each of the employees denied having increased the subject CAB's and yields, although [] CAB and yield adjustments at the CO acknowledged increasing other CAB's and yields in the normal course of business. [] was not aware of any [] office employee who knew how to make such changes.

[SAO] was required to review current year CAB adjustments at least twice each crop year; the first review was to be completed at least 2 weeks before the basic ARP signup, and the second review was to be completed at least 2 weeks before the final certification date.²⁵ To complete each review, [SAO] was required to run an automated current CAB adjustment report which listed CAB adjustments made on active farms and on current year deleted farms.²⁶ [SAO] was required to verify CAB adjustments were correct, authorized, and approved,²⁷ and the SED was required to ensure [SAO] properly performed the CAB adjustment reviews.²⁸

[SAO] CAB adjustment reports for 1992 and 1993 were not on file at the CO; only a report for 1991 and a report for 1996 were on file. [SAO SAO] at the time of the unauthorized CAB and yield increases) relied upon the CO employees to run [SAO] CAB adjustment reports and to present the reports for review; otherwise, [SAO] may not have performed the reviews. According to [SAO], the completed CAB adjustment reports were maintained at the CO.

[CAO] stated such increases would not have gone undetected by producers. We noted each of the affected farms was operated during 1992 through 1998 by a producer affiliated with producer 2. During the audit, the FSA task force corrected the contract acreage and yields which resulted in reduced (improper) payments for 1998 and future years. However, no action has been taken to correct and recover prior years' overpayments.

²⁵ FSA Handbook 5-PA (Revision 10), paragraph 31 E, dated January 30, 1992.

²⁶ FSA Handbook 5-PA (Revision 10), paragraph 31 C, dated February 24, 1993.

²⁷ FSA Handbook 5-PA (Revision 10), paragraph 31 D, dated January 30, 1992.

²⁸ FSA Handbook 5-PA (Revision 10), paragraph 30 C, dated February 24, 1993.

Information about these unauthorized CAB and yield increases has been referred to OIG-Investigations.

Unauthorized Cotton Yield Increases

The UPCN yields were increased without basis on 18 farms for 1996 and future years. This occurred because the COC did not adhere to prescribed procedures. As a result, yields were overstated for 1996 and future years. Based on the corrected yields determined by the task force (averaging about 440 pounds per acre), we estimate overpayments totaling \$173,349 for the 1996 through 2002 PFC's (see exhibit J). Of the 18 farms, 6 had ties to producer 2, with questioned payments of \$27,093.

The FSA task force found 18 of the 23 participating UPCN farms for 1998 had yields of 727 pounds per acre; the remaining 5 UPCN farms had yields of less than 450 pounds per acre. The FSA task force confirmed that the established UPCN yields had been increased to 727 pounds per acre in 1996. A note approved by COC member 2 on December 19, 1995, stated [SAO] requested the COC use Monroe County, Arkansas, FSA yields to set the higher UPCN yields (727 pounds) due to low yields in Jackson County. The note listed nine yields from Monroe County, ranging from 511 to 754 pounds per acre; the 727-pound yield was the simple average of the three highest Monroe County yields.

The FSA procedures provide that three similar farms may be used to establish program payment yields. If three similar farms are not available in the county, yields are to be based on three similar farms in other counties, as determined by the STC representative, i.e., [SAO]. The yields established using three similar farms, the farms receiving the yields, and the farms used to establish the yields are to be documented in the COC minutes.²⁹ However, there are no provisions to increase yields for farms with existing crop records.

Generally, the COC, [CAO], [SAO], and [] for yield adjustments agreed the 727-pound UPCN yield was originally calculated for crop insurance purposes on new (1996) UPCN farms. The CO sought yields from similar farms in other counties because existing Jackson County UPCN farms were not comparable to the new farms as to land and cultural practices. All agreed [SAO] was involved in determining the similar farms used in assigning the UPCN yields, but [CAO SAO] stated they were unaware such increased UPCN yields were applied to farms with established yields.

²⁹ FSA Handbook 5-PA (Revision 10), paragraph 147 A, dated September 17, 1993.

[SAO CAO] said they intended the Monroe County yields be used only to establish yields on four or five new farms, and there was never any discussion about using such yields to increase established UPCN yields. [SAO] claimed no knowledge of increases to existing yields; [SAO] said no increases in established yields were authorized in Jackson County or in any other county in the district.

The increased 727-pound UPCN yield was assigned to 35 farms in 1996³⁰ and documented in the minutes for the March 19, April 16, and July 30, 1996, COC meetings as having been approved "for special cases" according to FSA Handbook 5-PA (Revision 10), paragraph 147 (the three similar farms provisions). The 727-pound yield was also documented and approved by the COC on a Form ASCS-658, Record of Production and Yield, for each farm. We noted employee 7 made [CAO] signature on the March 19, 1996, minutes in which were documented 727-pound assigned yields on the majority (29) of the UPCN farms; [CAO] signed the April 16, 1996, and July 30, 1996, minutes in which were documented yield increases on 4 farms. The COC [member] did not sign the March 19 or July 30, 1996, minutes, and [SAO] presence was not documented in the minutes for any of the subject meetings.

Employee 2 stated [SAO] said to set the 727-pound yield "across the board" for all Jackson County UPCN farms. Employee 2 was troubled about adjusting established UPCN yields, but said [SAO] specifically directed the existing yields be increased, contrary to procedure. [SAO] said employee 2 was not directed to increase established yields. [SAO] did not remember employee 2 discussing concerns about changing established yields. In fact, [SAO] said employee 2 asked (both before and after the UPCN yields were set) if the CO could raise yields for producer 2, and [SAO] replied "no."³¹ [SAO] denied being previously aware of the increased UPCN yields; however, [SAO] recalled having repeatedly told the COC it could not raise yields.

COC members 2 and 3 said they were aware established UPCN yields had been increased, but they were under the impression UPCN yields (specifically) **could** be increased. They believed [SAO] was at the applicable COC meeting(s) or was at least closely involved in the process of increasing the UPCN yields. However, the COC [member] was unaware established UPCN yields were increased using the Monroe County yields. The [member] believed [SAO] was present during at least one of the applicable COC meetings.

³⁰ The 35 farms include 2 farms for which the increased yields were not documented in the minutes: Farm 12, for which the increased (727-pound) UPCN was assigned in 1997, after it had been "overlooked" when UPCN yields were previously "reset," and farm 58.

³¹ We performed a cursory review of the 1996 PFC producer shares for the farms with the increased (727-pound) UPCN yields. Nothing came to our attention to indicate such increases were for the sole benefit of producers affiliated with producer 2; we noted only three such affiliated producers who shared in 1996 PFC payments on five increased (727-pound) UPCN yield farms, i.e., producer 33 on farm 159, producer 19 on farms 162 and 164, and producer 36 on farms 161 and 166.

Prior to the CO's issuing revised Forms ASCS-476, Notice of Acreage Bases, Yields, Allotments, and/or Quotas, the STC representative was required to review the yields and concur the yields were established using three similar farms.³² We found nothing in the CO files to show that an STC representative reviewed the yield increases. The August and September 1997 [SAO] checklists show [SAO] reviewed CAB and yield adjustments for FY's 1996 and 1997.

[SAO] did not remember whether the CAB/contract acreage and yield adjustment reports were run per the August and September 1997 checklists; copies of the reports should have been filed at the CO.³³ Regardless, [SAO] said the CAB and yield adjustment reports for 1996 and 1997 were not reliable when run. [SAO] did not believe the CAB/contract acreage and yield adjustment reports would have shown the increased UPCN yields for 1996 since the yields were increased before the implementation of AMTA.³⁴ According to [SAO], if the yield increases were on the report, [SAO] did not notice them.

We are not making a separate recommendation concerning overpayments for the improper UPCN yield increases because they are included in Recommendation No. 3 and related exhibit D. However, a determination is needed as to whether administrative action should be taken against responsible personnel.

Unauthorized Changes to Automated Farm History Data Base

In 1992, unauthorized changes to contract percentages were made in the automated farm history data base affecting reconstitution A20033 involving a large farm (farm 68) associated with producer 2. The unauthorized changes affected the percentages by which the computer system allocated the rice CAB of the parent farm (contribution method) to the nine farms resulting from the reconstitution. (Other issues related to the participation of [CAO] and a relative concerning this reconstitution are presented on page 14 of Finding No. 1.)

Contribution percentages are determined when two or more farms are combined into one farm. Each farm contributes CAB to the new farm. By maintaining this information, if the farm is later divided, FSA can return the CAB to the tract of farm that contributed it.

Three tracts of parent farm 68 were divided into eight tracts to enable the producer to divide the farm into nine farms (farms 92, 93, 94, 95, 96, 97, 98, 99, and 100). Sometime during the 6 days between the tract divisions and the farm division, the

³² FSA Handbook 5-PA (Revision 10), paragraph 147 B, dated December 22, 1994.

³³ We were unable to locate any CAB and yield adjustment reports on file at the CO. There were only 1991 and 1996 [SAO] CAB adjustment review reports on file. (The 1996 report was dated May 23, 1996.)

³⁴ FSA National Notice PF-59, dated June 19, 1997, informed county offices that a new software release revised the former CAB adjustment report to provide a CAB/contract acreage and yield adjustment report.

parent farm's contribution percentages were changed in the automated system. This allowed the parent farm's 1,847.7-acre rice CAB to be assigned to only one of the nine resulting farms (farm 100). In program years 1993 through 1995, rice was reported planted or PP on the eight farms that received "zero" rice CAB. Because no rice CAB was established on these farms, new rice payment yields were established in 1993 using three "similar" farms. All "similar" farms had yields higher than the original parent farm.

By moving all of the CAB to one farm, the farm operator was allowed to build rice CAB on the original farm's excess acreage and at the same time participate in ARP on the original parent farm's rice CAB. In addition, the rice CAB's and increased yields on the eight resulting farms substantially increased the payments on those farms, and subsequent farms for future production adjustment and AMTA programs.

A total of 36 farms were affected by this 1 farm reconstitution from 1992 through 1998. As these subsequent reconstitutions resulted from the original parent farm, five farms (farms 133, 163 ([CAO] and a relative participated on this farm), 165, 166, and 174) have participated in the AMTA program where they have received, or are scheduled to receive, \$3,280,424 in 1996 through 2002 PFC payments (see exhibit D). Expressed in terms of percentages, the five farms account for 52 percent of the total questioned payments presented in exhibit D. During the review, the task force corrected the contribution percentages for farm 68 and corrected the resulting farms' CAB's. Further, we previously recommended (Recommendation No. 2) that FSA determine and recover applicable 1993 through 1995 deficiency payments resulting from improper CAB and yield adjustments which would include these farms. We have not, however, determined the amount of questionable ARP payments for the 1993 through 1995 program years resulting from these actions, except with regard to [CAO] and a relative as referenced in Finding No. 1.

RECOMMENDATION NO. 5

Recover 1993 through 1995 ARP deficiency payments totaling \$650,734 for the four farms listed on exhibit H. Also, recover 1992 through 1995 ARP deficiency payments totaling \$399,982 for the two farms listed on exhibit I. (Note: The PFC overpayments listed on exhibits H and I are included in Recommendation No. 2 and exhibit D.)

FSA Response

Because of the apparent involvement of CO personnel, FSA will not pursue collection of the overpayments unless criminal activity is determined by OIG.

OIG Position

The unauthorized base and yield increases that caused the overpayments detailed in exhibits H and I are under investigation. Our position on these overpayments will be communicated to FSA after the investigation and legal processes are completed.

RECOMMENDATION NO. 6

Take administrative action against responsible personnel for unauthorized UPCN yield increases, questionable approvals of farm reconstitutions and yields, and improper P&CP credit for CAB's.

FSA Response

The FSA has taken action to separate two CO employees who were responsible for irregularities detailed in the report. Another employee was given a 2-week suspension without pay and restored to duty in another CO.

OIG Position

Although we are in agreement with the corrective action that has been taken, further administrative action may be necessary when the results of the OIG investigation of the unauthorized CAB and yield increases are known. Our position on this matter will be communicated to FSA after the investigation and legal processes are completed.

CHAPTER 2 - DISASTER PROGRAM MANIPULATED TO INCREASE BENEFITS

As shown in exhibit K, we identified numerous irregularities associated with disaster claims for 1993 and 1994 on 45 farms. These included

- failed or PP RBW on acreages having little or no history of producing rice,
- claims made by producers or entities that did not have any prior interest in the farming operations,
- failed or PP rice losses claimed even though soybeans were initially certified or intended for planting after the wheat,
- reported land preparation on PP RBW indicating levees were not in place, so the rice could not have been planted until after the wheat was harvested, and
- claims based on revised or late filed reports for which late fees were not collected.

We also found that cultural practices and weather data did not support claims that losses were due to excessive moisture. This information, together with the circumstances described above concerning the unreasonableness of the claims, led us to conclude that producers, with the knowledge and at least tacit approval of the CO staff who accepted self-certifications of losses without any verification, manipulated the program to claim disaster benefits for failed or PP rice that was never planted or intended for production. CO staff also improperly gave producers P&CP credit for failed or PP RBW on disaster acreages totaling 3,550 acres, the effects of which are included in the adjustments covered in Chapter 1. However, producers also incorrectly received P&CP credit for 999 acres of initial PP rice (not behind another crop) that is not included in the adjustments covered in Chapter 1 and exhibit D. As a result of these actions, producers on the 34 farms identified in exhibit L received \$637,316 in excessive 1993 and 1994 disaster benefits, and producers on the 12 farms detailed in exhibit E received, or were scheduled to receive, \$186,627 in excessive PFC payments during 1996 through 2002.

Of the \$637,316 in questioned disaster payments, \$542,460 (85 percent) were made to producers on 25 farms associated with entities having connections to producer 2 on 6,157.4 acres of the total 6,739.1 acres (91 percent) questioned. Included in this amount were all cases where disaster payments were made for ghost acres, which were not eligible for disaster benefits. These totaled 1,993.7 ghost acres on nine farms in 1993 and 608.8 ghost acres on five farms in 1994 for which disaster payments totaling \$293,650 were made.

**IMPROPER DISASTER CLAIMS
SHOULD HAVE BEEN
DETECTED**

Improper disaster claims on failed or PP rice should have been detected with adequate verification prior to COC approval. The various irregularities we have noted in this report went undetected when processed by the CO because the COC generally accepted disaster self-certifications without independent verification of the losses claimed. As a result, erroneous benefits totaling about \$637,316 for 1993 and 1994 on 6,739.1 acres were paid. (See exhibit L.)

FINDING NO. 4

As presented in Finding No. 2, RBW was not a normal practice in Jackson County. This determination was borne out by the data presented in exhibit G, which shows only a small percentage (no more than about 7 percent) of the total rice in Jackson County for 1989 through 1995 was reported as having been double cropped behind wheat. Notwithstanding the rarity of the practice, reported RBW acreage increased conspicuously for 1993 and 1994, average RBW acreage for those years (5,641.5 acres) was 624 percent of the average for the 4 preceding years (904 acres) and 241 percent of the RBW acreage (2,343 acres) reported for the subsequent (1995) crop year.

In general, for each year, 1992 through 1995, the percentages of failed rice and of PP rice in Jackson County were notably greater than in adjacent counties. Jackson County had about 15,700 acres of failed or PP rice in 1993, while Woodruff, Poinsett, and Craighead Counties had about 1,356, 5,907, and 696 acres, respectively. For 1994, Jackson County had over 4,700 acres, while Woodruff, Poinsett, and Craighead Counties had 237, 767, and 6 acres, respectively. In addition, we noted PP RBW comprised about 90 percent of the PP rice in Jackson County for 1993 and for 1994, and failed RBW likewise comprised disproportionately large percentages of the failed rice for the county in those years.

During this audit, as well as during the prior employee misconduct investigations, one employee contended rice reported as failed or PP for 1993 and 1994 in Jackson County was never planted or was never intended to be planted. According to the employee, producers reported PP rice well after the final planting dates and after soybeans had been certified on Form ASCS-578, Report of Acreage, as planted on the land. The employee said some of the farms did not have rice histories.

Producers Misrepresented Disaster Claims

Producers filed claims for failed RBW and/or for PP rice (including both PP RBW and initial PP rice) totaling 9,288.9 acres on 41 farms for 1993 and 1994. We reviewed each claim and identified several irregularities which corroborated the

allegations made by the employee and which led us to question the validity of \$637,316 in disaster claims totaling 6,739.1 acres on 34 farms. For example, we noted the following.

- Producers claimed failed RBW and PP rice on farms with no histories of rice production in the preceding 3 years.
- Purported failed and PP rice producers had no interests in the preceding and/or succeeding crops farmed on the rice acreages in the same crop year and had no other interests in the farms.
- Producers certified on form ASCS-578 failed RBW and PP rice after soybeans were certified and growing on the acreage.
- Producers reported on form ASCS-574 they intended to grow soybeans (and not rice) on failed wheat acreage where the wheat preceded the failed or PP rice.
- Producers late-filed forms ASCS-574 and ASCS-578 for failed and PP rice and frequently certified and applied for credit on failed rice before PP rice on the same farms.
- Although producers claimed to have intended to plant (prevented) RBW, most reported they disked the ground in preparation for the crop, which indicates the producers had not constructed levees in the fall when wheat was planted or in the spring when wheat was harvested. In these cases, rice could not have been planted until after the wheat was harvested.

Exhibit K presents a summary of the irregularities identified by audit for each farm.

In discussing our findings with the CO employees during the audit, several said they were aware of the irregularities and expressed reservations about the validity of the claims. The COC members, on the other hand, professed to have been generally unaware of such anomalies. The COC members stated they did not review forms ASCS-578 as part of the forms ASCS-574 approval process and generally accepted the producers' self-certifications on forms ASCS-574 as evidence of the claimed losses. A COC member told us the STO impressed upon the COC that in a disaster year, the producers should be paid. It was the COC's understanding that they should not question the validity of claims, except that in obvious cases, the COC was to give applicants the benefit of the doubt for 1993 disaster purposes.³⁵

³⁵ For the 1994 disaster program in Arkansas, the (former) SED directed [SAO] to review each 1994 disaster claim. The [SAO] ultimately disapproved many of the applications approved by the COC. (The STO decision to review the 1994 disaster program was a result of an OIG audit of the 1993 disaster program in Bradley County, Arkansas, Audit No. 03600-44-Te.)

Purposes of Failed and PP Acreage Credit

The purpose of failed acreage credit is to provide planted acres credit for a crop that failed because of natural disaster or other weather-related conditions.³⁶ The purpose of PP credit is to allow P&CP credit for those program crop acres that the producer was unable to plant.³⁷ Failed acreage is eligible for deficiency payment, while PP acreage is not.³⁸

Cultural Practices for RBW

The acreage in question was generally reported by the operator as RBW, failed or PP due to excessive rainfall. For such acreage, harvested wheat was delivered from June 15 to July 12 in 1993, and for the one producer for which we have a harvest record in 1994, wheat was harvested between June 9 and July 21. The county agent confirmed the delivery dates approximate harvest dates, and it seemed apparent the producers could not have intended to plant RBW at such late dates (2 weeks to 2 months after the final (May 31) planting date for rice). However, after our preliminary review, we learned a few producers may have sowed rice in standing wheat, i.e., the standing wheat crop was flooded with water and rice was interseeded via aerial application.

The Arkansas Extension Rice Agronomist and the Jackson County Extension Agent said when rice is interseeded in wheat, it is preferable to construct levees in the fall prior to planting wheat. Wheat can be grown right on the levees, which also makes the levees more stable. If producers construct the levees in the spring, it is destructive to the growing wheat crop. The county agent told us the rice is interseeded about 2 weeks before the wheat harvest, which typically occurs June 10 to 15, with some wheat harvest beginning about June 5. The flood is left on the field 2 to 3 days for the rice to germinate; then the field is drained. The county agent estimates a wheat field would dry out in 7 to 10 days, allowing for the wheat harvest.

According to the county agent, if a producer elects to conventional-till RBW, the ground can be prepared and the rice can be planted within 1 or 2 days of the wheat harvest. The agent said some of today's short-season rice varieties may be planted as late as June 15 to 20 and still be successful.

We noted for 17 of the PP RBW farms reviewed, producers claimed land preparation included disking, which the county agent agrees indicates levees were neither constructed in the fall nor in the following spring, and the producers did not intend to interseed rice.

³⁶ FSA Handbook 5-PA (Revision 10), paragraph 1608 A, dated January 30, 1992, and June 21, 1994.

³⁷ FSA Handbook 5-PA (Revision 10), paragraphs 1607 A and B, dated January 30, 1992, and June 21, 1994.

³⁸ FSA Handbook 5-PA (Revision 10), paragraph 1609 C, dated January 30, 1992, and December 22, 1994.

Based on our discussions of the methods of doublecropping RBW, we questioned how RBW could have been PP due to excessive rainfall. In those instances where the rice was interseeded in the wheat and levees were constructed in the fall, spring rainfall would have not precluded flooding the wheat and sowing rice seed. It would be wrong for producers to claim excessive moisture prevented their planting RBW in such cases when the fields would be intentionally flooded with water as a routine part of such practice. In those instances where the producers intended to construct levees in the spring, but could not because of excessive rainfall, it seemed the PP was due to the managerial decision to wait and construct the levees in the spring versus constructing the levees in the fall. It also stands to reason such producers would be afforded an additional opportunity to prepare the land and plant the rice after the wheat was harvested, if it was dry enough for producers to harvest their wheat crops, it appears it would have been dry enough to construct levees shortly before or immediately after the wheat harvest. We questioned how it could have been too wet to plant rice at the same time it was not too wet to harvest wheat.

Further, according to an [], it is almost impossible to be prevented from planting rice. In addition, the minimal evidential requirements for a PP claim predispose such claims to abuse since a PP claim does not require physical evidence of the crop.

No Evidence of Excessive Moisture

We obtained and reviewed actual and normal³⁹ rainfall data from National Oceanic and Atmospheric Administration (NOAA) weather stations in and around Jackson County. We considered data from 11 individual stations and from District No. 3 as shown in exhibit M. As shown in exhibit M, such data fails to reveal a general pattern of excessive precipitation in the months of March, April, or May in 1993 or in 1994.

For 1993, of the 11 individual weather stations considered, none had above-normal rainfall in March. Although 6 stations reported above-normal precipitation in April, the 11 stations were above average by only 0.18 inches for the month. Only three stations reported above-normal rainfall in May. On average the 11 stations were below normal by 0.09 inches.

For 1994, only two stations had above-normal rainfall in March. Although 5 stations reported above-normal precipitation in April, on average the 11 stations were below normal by 0.03 inches. In May, all stations reported rainfall below normal by an average of 3.13 inches.

³⁹ NOAA defines normal as a 30-year average from 1951 to 1980.

In fact, NOAA data for the whole area comprising District No. 3, in which Jackson County is located, did not support the producers' claims that excessive moisture was the cause of loss for rice in 1993 and 1994.

Producers Claimed Rice Losses on Farms With No Rice History

Before determining approval of a PP form ASCS-574, the COC is required to consider the history of planting the crop on the farm in the past 3 years.⁴⁰

As shown in exhibits K and N, about 30 percent (14) of the 45 farms on which producers claimed failed RBW or PP rice in 1993 and/or 1994 had no histories of producing rice during at least the preceding 3 years, including 13 farms on which producers claimed PP rice.⁴¹ [CAO] and COC members approved disaster payments for PP rice in the absence of rice histories.

In addition, we noted at least one instance in 1993 (farm 57) in which a farm's rice history was far less than the claimed failed or PP rice acreage⁴² and three instances (1994 farms 8, 9, and 37) in which the only rice history for a farm was based on questionable failed or PP rice claims from the preceding year. See exhibit N for details.

Further, as shown in exhibit N, operators certified all wheat was double cropped with rice on 20 of the farms for 1993 and 1994. Two producers who had farmed RBW and who were former COC members agreed it would not be normal for a producer to double crop rice behind the entire wheat acreage. A current COC member stated (and we confirmed to CO records) producers who had historically double cropped RBW did not plant every wheat acre to rice. For 21 of the farms reviewed, operators certified all rice on the farm had been double cropped behind wheat.

Rice Producers Had No Other Interests in Farms

For 24 farms, the purported rice producers did not certify interests in the previous or the subsequent crops grown on the rice acreages, as shown in exhibits K and O. In 18 of the 24 farms, the purported rice producers had no interests in either the preceding or subsequent crops. (In the other 6 cases, the rice producers had no interests in the preceding wheat crops but did show interests in the succeeding soybeans or grain sorghum crops. For example, in 1993, farm 7 composed of 41.3 acres cropland, the operator (producer 38) certified the following.

⁴⁰ FSA Handbook 5-PA (Revision 10), paragraph 1607 D, dated January 30, 1992, and June 21, 1994.

⁴¹ In fact, the farms on which operators claimed PP RBW often had little or no rice P&CP credit within the preceding 5 years.

⁴² For each of the preceding 5 years (1988 through 1992), the farm had 89.5 acres rice P&CP; for 1993, the operator claimed 252.9 acres PP and 1,284.9 acres failed RBW, for a total of 1,537.8 acres.

- Producer 3 had 100-percent interest in 41.3 acres of wheat (the first crop) on field number 1;
- producer 4 had 100-percent interest in 41.3 acres of PP rice (the second crop) on field number 1; and
- producer 3 had 100-percent interest in 41.3 acres of soybeans (the third crop) on field number 1.

The COC members stated this type arrangement was not normal for the area, was very unusual for a farming operation, and looked "fishy." In fact, we found the purported rice producers generally did not certify (on forms ASCS-578) interests in any other crops on the farms, and the producers did not disclose their purported leasehold interests in the farms on their farm operating plans (forms CCC-502) on file at the CO.⁴³ The COC members stated such discrepancies in reported interests were not brought to their attention, and agreed such arrangements were questionable. On 22 of 24 farms, the purported rice producers were corporate entities with business ties to producer 2.

Soybeans Were Intended to be Planted Behind Wheat

For 11 farms where failed or PP wheat preceded the failed or PP rice, the farm operators reported on forms ASCS-574 that they intended (after the wheat failed) to use the land to farm soybeans only, i.e., as of March or April of the respective crop year, the producers did not intend to plant RBW. (See exhibit K.)

Producers Certified Soybeans Before Rice

As shown in exhibit K, for eight farms where failed RBW or PP rice purportedly preceded soybeans, the operators actually certified the soybeans on forms ASCS-578 before they certified the rice. (The soybeans were generally certified about 1 month before the rice was certified.) For example, on 1993 farm 7,

- on March 24, 1993, the operator certified the first crop (wheat) on form ASCS-578;
- on June 29, 1993, the operator certified the third crop (soybeans) on form ASCS-578;
- on July 20, 1993, the operator filed form ASCS-574 for the second crop (PP rice); and

⁴³ The producers with interests in the preceding and/or succeeding crops on the farms did report such ownership/leasehold interests on their CCC-502's.

- on August 5, 1993, the operator certified the second crop (PP rice) on form ASCS-578.

The sequence of events, specifically the dates rice and soybeans were certified, did not support the producers' contentions that rice failed or was PP before soybeans. There was no documentation in the CO farm or disaster files explaining why soybeans were certified prior to the rice if, in fact, the producers had failed or PP rice prior to the soybeans.

County Office Processing of Late-Filed Certifications and Applications

Rice was reported on late-filed forms ASCS-578 for 23 farms, and forms ASCS-574 were late-filed for at least 23 farms. (See exhibits K and P.)

Operators are generally required to file rice on forms ASCS-578 and ASCS-574 as shown in the following table.

TYPE RICE	FORM ASCS-578 DEADLINE	FORM ASCS-574 DEADLINE
Failed	Within 15 calendar days after the date the abnormal condition occurred or was obvious, but before physical evidence of the crop is destroyed. ⁴⁴	
PP	July 31, 1993 (for 1993) and August 1, 1994 (for 1994) ⁴⁵	June 15 ⁴⁶

Late-Filed Forms ASCS-578

Late-filed forms ASCS-578 may be accepted, and, if all late-filed requirements are met, the acreages will be used for all purposes, including P&CP for establishing CAB's. If the late-filed requirements are not met, the acreages will be used for disaster purposes only and forms ASCS-578 will be manually processed (i.e., not entered into the automated system) and labeled "for disaster payments program only."⁴⁷ Late acreage-reporting fees should be charged if the reported acreages

⁴⁴ FSA Handbook 5-PA (Revision 10), paragraph 1608 E, dated July 10, 1992, May 14, 1993, and December 22, 1994.

⁴⁵ Operators are required to file PP rice forms ASCS-578 by the final reporting date. The final July 15 reporting date for rice (a spring-seeded program crop) was extended to July 31 for 1993 and to August 1 for 1994.

⁴⁶ FSA Handbook 5-PA (Revision 10), paragraphs 1607 A and B, dated January 30, 1992, and June 21, 1994.

⁴⁷ FSA Handbook 1-PAD (Revision 2), paragraph 122 B, dated January 14, 1992; FSA Handbook 1-PAD (Revision 3), paragraph 144 B, dated January 10, 1995.

will be used for P&CP for establishing CAB's.⁴⁸ Also, if physical evidence of the disaster crops is not available, the COC shall require producers to provide evidence to verify the existence and disposition of their crops, e.g., seed receipts, written contracts to produce the crop, receipts from the sales of crops, etc.⁴⁹

For each farm on which disaster payments are requested, producers must report on forms ASCS-578 all cropland and all crops produced on the farm during the disaster year.⁵⁰ To complete form ASCS-578, the operator is required to report all of the following acreage by tract and field:

- planted crop acreage, including doublecropped acreage;
- intended planted crop acreage if planting will not be completed by the final reporting date;
- PP crop acreage;
- failed crop acreage; and
- other cropland.⁵¹

Although 17 of the farms for which rice forms ASCS-578 were late-filed were nonparticipating, (i.e., the late-reported rice acreages were used as P&CP for establishing CAB's), there was nothing in the files to indicate the producers were charged late acreage reporting fees or that the late-filed rice acreages were used for disaster purposes only. Although physical evidence of disaster crops would not have been available, there was no indication the producers provided evidence to verify the existence and disposition of the crops.

Also, 7 of the 45 farms reviewed had both failed and PP rice (see exhibit P).⁵² However, for each of the farms, the operators certified and applied for credit on the failed rice in June 1993 but did not certify or apply for PP rice credit until 1 to 3 months later (and after soybeans had been certified on the land on two of the farms). There was no documentation in the files to explain why the operators neither timely reported PP rice nor reported it when they reported the failed rice.

⁴⁸ FSA Handbook 1-PAD (Revision 2), paragraph 122 C, dated January 14, 1992;
FSA Handbook 1-PAD (Revision 3), paragraph 144 C, dated January 10, 1995.

⁴⁹ FSA Handbook 1-PAD (Revision 2), paragraph 122 D, dated November 4, 1992;
FSA Handbook 1-PAD (Revision 3), paragraph 144 D, dated November 23, 1994.

⁵⁰ FSA Handbook 1-PAD (Revision 2), paragraph 122 A, dated January 14, 1992;
FSA Handbook 1-PAD (Revision 3), paragraph 144 A, dated January 10, 1995.

⁵¹ FSA Handbook 2-CP (Revision 14), paragraph 77 A, dated October 20, 1992.

⁵² Two of the farms (1993 farms 53 and 94) contained PP rice and initial failed rice, i.e., the failed rice was not RBW.

Late-Filed Forms ASCS-574

A late-filed form ASCS-574 may be accepted provided it contains sufficient information to determine the PP or claimed loss was due to a recognized disaster. A farm visit is generally required to verify the disaster and determine acreage, but the COC may approve a late-filed form ASCS-574 without a farm visit if the COC has knowledge the disaster condition exists and if (in the case of failed acreage) Risk Management Agency (RMA) verifies evidence of the crop or disaster, if applicable. Otherwise, a late-filed form ASCS-574 may only be approved if the operator pays the cost of the farm visit and evidence of the disaster is still apparent.⁵³

The late-filed forms ASCS-574 for 1993 rice crop losses were filed from July 19, 1993, through March 25, 1994, making some claims late by almost 1 year. Of the forms ASCS-574 questioned by OIG, three-fourths (15 of 20) were filed on July 20, 1993, and approved by the COC on the same day. Further, the corresponding acreage certifications were not filed until about 2 weeks after the COC approved the claims. It is apparent the COC approval process was no more than a perfunctory review of forms ASCS-574.

Examples

We question how, in some cases, rice was both PP and failed on the same farms. (See exhibit P, count numbers 6, 10, 15, 17, 23, 28, and 33 for 1993.) Further, considering the flexibility in options for planting RBW, i.e., constructing levees in the fall or in the spring to interseed rice in the wheat or conventional-tilling rice after the wheat crop is harvested, it appears the true cause of loss in the practice of RBW is the management decision on how and when to plant it.

The COC is not to approve a PP form ASCS-574 unless preliminary efforts to plant the crop are evident (e.g., land disked, seed and fertilizer delivered or arranged for, etc.), and the PP was because of disaster rather than managerial decision.⁵⁴

- The COC approved PP forms ASCS-574 for rice following wheat despite the absence of any evidence showing that efforts had been made to plant the rice.
- The COC accepted operators' self-certifications as evidence of preliminary efforts to plant PP rice. (There was nothing in the CO records or

⁵³ FSA Handbook 5-PA (Revision 10), paragraphs 1607 F and 1608 G, dated May 14, 1993; paragraph 1608 H, dated December 22, 1994; and paragraph 1608 I, dated April 27, 1995.

⁵⁴ FSA Handbook 5-PA (Revision 10), paragraphs 1607 D and E, dated January 30, 1992, and June 21, 1994.

annotated in the COC minutes to indicate the producers provided additional evidence of their intent to plant rice. Many COC approvals of forms ASCS-574 were not documented in the minutes.)

- There was not enough information on forms ASCS-574 to support eligible disaster conditions.
- There were questions about the suitability of acreages for the production of rice.
- The farms did not have histories of doublecropping RBW.
- The producers planted the PP rice acres to soybeans.

Following are two examples of noted discrepancies in the applications for failed RBW and PP rice.

In 1993 on farm 37, the COC approved form ASCS-574 for 1,130.4 acres of failed RBW and PP rice. Although no field visit was performed and the farm had no history of planting rice, the COC approved the farm's total cropland for disaster and P&CP credit and paid the tenants \$118,381. (See exhibits K and L.) In 1994, form ASCS-574 was again filed certifying 1,130.4 acres of PP rice. The CO [] spot-checked this farm and reported that approximately 200 of the reported 1,130.4 acres could be planted with the expectation of producing a rice crop, but that the topography of the remaining 900 or so acres was ridged and rolling. Although the COC stated they were confident that the [] could accurately determine if land was conducive to growing a rice crop, they approved payment for losses on 981.7 of the 1,130.4 acres. Later, it was determined that disaster benefits were not earned for 1994 losses because the producer could not provide sufficient evidence to support the existence of the stated disaster condition. With information showing that only 200 acres on the farm could produce rice, the COC did nothing to correct the 1993 disaster payments.

In another case, the operator for the reported cash-rent tenants of farm 52 filed a form ASCS-574 on July 20, 1993, for 147.9 acres of PP RBW for a corporate entity. Form ASCS-578, dated April 28, 1993, showed the corporate entity had a 100-percent interest in a wheat crop planted on the same 147.9 acres. However, a form ASCS-578, subsequently filed on August 3, 1993, showed the interest in the wheat crop belonged to an individual versus the corporate entity. The farm file did not contain information resolving the conflicting documentation of the ownership interest in the wheat crop and the lease arrangements for the farm. The acreage certification that should have been filed in conjunction with the form ASCS-574 reporting the PP rice was not filed until August 3, 1993.

The operator, whose wife had an ownership interest in the farm, told us he leased the farm to a relative of the referenced individual on a crop-share basis. He said he did not know about another relative, or that the other relative had farmed the

land. Additionally, he stated that rice had not been planted on the farm in several years, and he did not know that the 1993 disaster claim had been filed on the farm.

We concluded that new or different entities were shown to have had interests in the disaster acres to prevent the owners and/or operators from receiving the disaster payment.

Summary and Staff Comments

In summary, we questioned the wisdom of approving disaster and P&CP credit on crops which were never planted when

- there was no evidence the producers intended to plant crops;
- there was no evidence conditions prevented the planting of the crops;
- the practice of RBW, for which disaster credit was requested, was not normal for the area;
- applicants certified no interests in the farms' operations earlier in the crop year;
- crops were not timely reported;
- crops were not planted on farms within the past 3 years;
- applications for disaster credit were not timely filed;
- operators or producers had not provided certifications of all acreages involved in farming operations;
- acreages were ineligible for disaster credits (i.e., ghost acres);
- neither the operators or producers provided sufficient competent evidence supporting loss claims; and
- spot-checks of the operators' claims had not been performed by the county staff to verify the claimed losses.

The erroneous payments resulted due to the lack of adequate verifications and documentation supporting loss claims. The perfunctory manner in which the CO staff processed disaster applications contributed to the overall deficiencies noted during our review. We believe that most of the incorrect or inadequate information provided to the CO by producers could have been detected by the CO staff with greater due diligence to verify the claims.

[], told us of refusing to take one producer's certifications of PP RBW on several farms because it was obvious the producer did not intend to plant rice as demonstrated by the fact that the producer had already certified planting soybeans behind the wheat crop. The employee also questioned the filing of forms ASCS-574 for PP rice after the June 15 deadline on farms that had no rice CAB's or, in the [] judgment, were not capable of successfully producing rice crops. [] specifically remembered the incident because the certified soybean crops would have been knee-high and the (rice) crop insurance deadline had passed. When [] told [CAO] about the incident and declined to take the certifications that [] considered to be false, [CAO] told [] to discontinue taking them. Later, [] discovered that PP rice certifications had continued because [] saw [] CO employees inputting them into the automated system.

[] likewise expressed reservations about the validity of failed or PP RBW claims. [] told us it was CO policy to accept producer claims without question, and that the COC was responsible for determining the validity of the claims.

[CAO] could not recall any CO employees expressing concerns about the validity of failed or PP rice disaster claims. [CAO] instructed the CO employees to complete forms ASCS-574 based on information provided by the producers. [CAO] did not remember any instances in which CO employees refused to take the disaster applications or acreage reports because they questioned the validity of the claims.

RECOMMENDATION NO. 7

Determine whether the producers on the farms shown in exhibit L acted in bad faith regarding their reported disaster losses.

FSA Response

The FSA agreed with OIG that the reported disaster losses were questionable or erroneous. All acreage credit which was erroneously given based on the reported disaster losses has been corrected. However, FSA will not initiate further review of applications for 1993 and 1994 disaster program benefits unless criminal activity is determined by OIG.

OIG Position

We agree with the management decision.

RECOMMENDATION NO. 8

Recover 1993 and 1994 disaster program payments of \$637,316 on farms detailed in exhibit L.

FSA Response

The FSA agreed with the OIG findings. However, FSA will not initiate any action to collect known overpayments of disaster program benefits unless criminal activity is determined by OIG. The audit revealed that both the producers and CO personnel erred in the application and approval processes.

OIG Position

An investigation of disaster payments has not been scheduled. For us to reach a management decision, we need additional documentation to fully explain the rationale behind the decision to forego collection of these overpayments.

RECOMMENDATION NO. 9

Take appropriate administrative action against the employees and COC members responsible for improper disaster benefits being provided to ineligible producers.

FSA Response

The FSA has taken administrative actions as outlined in the response to Recommendation No. 6. Other remedies include the reassignment of program duties and responsibilities, and when determined appropriate, dismissal and termination of agency employment.

OIG Position

As mentioned in the OIG position to Recommendation No. 6, further administrative action may be necessary when the results of the OIG investigation and criminal or civil proceedings are completed. To reach a management decision, we need information showing whether action will be taken against the COC, and if not, justification for not doing so. Also, we will need to know the results of any administrative action taken as a result of the OIG investigation and any resultant criminal proceedings.

**PREVENTED PLANTED
ACREAGE USED TO BUILD
CROP ACREAGE BASE**

FINDING NO. 5

Producers received P&CP credit for crop acreage represented by erroneous disaster claims. This, in turn, often increased or established CAB's that otherwise would not have occurred. As a result, over 6,700 acres of erroneous P&CP credit was granted, most of which has been accounted for in Chapter 1 with over \$186,000 yet to be recovered or adjusted. (See the 12 farms identified in the bottom half of exhibit E.)

There were 29 farms in 1993 and 5 farms in 1994 where rice acreages claimed for disaster benefits were considered P&CP and used to increase the CAB on nonparticipating farms or to retain the established base on participating farms. The individual farms and amounts of disaster credit acreages are detailed in exhibit L.

The total disaster rice payment acreages for both years were 6,739.1 acres, of which 2,602.5 were ghost acres, and P&CP credit adjustments were made as part of those detailed in exhibit D. Included in the P&CP credit for the disaster acreage was 3,550 acres of failed or PP RBW that are included in exhibit L and recommended for adjustment in Finding No. 1 of Chapter 1 (Recommendation No. 2). The remaining 586.6 acres of P&CP credit were for initial PP rice that we do not consider justified because of the previously mentioned evidence showing the claimed disaster losses for PP rice were not disaster related.

Detailed in exhibit F are 999 acres of initial PP rice acres on farms where disaster claims were made. This acreage amount did not agree with the 586.6 acres shown in exhibit L because, in some instances, disaster payments were not approved for the PP rice, but the CO granted P&CP credit anyway, e.g., 251.6 acres of PP rice for farm 146 in 1993 that were not approved for disaster assistance. The P&CP credit for the 999 acres of initial PP rice resulted in questioned PFC payments of \$186,627 on 12 farms detailed in exhibit E. We did not attempt to quantify the monetary results of the CAB and yield adjustments under the 1994 and 1995 ARP but are recommending that FSA do so.

RECOMMENDATION NO. 10

Reduce the 1993 P&CP credit for initial PP rice on the 12 farms detailed in exhibit E and make appropriate CAB and payment adjustments for such acreages regarding 1994 and 1995 acreage reduction and 1996 through 2002 AMTA programs (OIG quantified the questioned PFC payments under AMTA to be \$186,627).

FSA Response

The FSA has reviewed the farm records associated with these farms and corrected the farm records and revised the PFC's effective for 1998 through 2002. No collection action will be initiated regarding the overpayments under the PFC's unless criminal activity is determined by OIG.

OIG Position

Our records do not support FSA's contention that the farm records for the 12 farms detailed in exhibit E have been reviewed and corrected. For us to reach a management decision, we need evidence that CAB's and yields for the 12 farms have been corrected. Also for the resultant overpayments, we need additional documentation to fully explain the rationale behind the decision to forego collection of the overpayments.

CHAPTER 3 - DEFICIENT PROGRAM ADMINISTRATION AND INADEQUATE OVERSIGHT

Deficient program administration at the CO as well as the STO, as discussed in the two preceding chapters, allowed program requirements to be manipulated and circumvented to obtain millions in unearned or ineligible benefits. Those responsible for permitting the use of the reconstitution process and P&CP credit for failed or PP rice to build CAB's, the unauthorized changes in the automated data bases, and the "approval without question" approach to disaster benefits need to be held accountable for their actions or lack of actions. Appropriate recommendations have been made in these areas. However, we also noted that administrative processes were not properly handled. These included [] CAO] improperly approving reconstitutions of farms in which [] CAO] and a relative were involved and [] CAO] not reporting all financial interests. Further, COC decisions were not always documented in the COC minutes, and the minutes were not properly approved or timely submitted to the STO. There was also a major problem with backdated, unsigned, incomplete, and nonapproved program documents used to process program payments. In addition, we noted problems with the processing or handling of checks and producer payments. Current and approved farm operating plans, which were required and needed before issuing PFC payments, were not always on file. Majority stockholders were not combined with corporations for payment limitation purposes, and payment limitation data was not properly entered into the computer system. Actions had not been taken to correct the overpayment of prompt payment interest (PPI) and PPI payments had not been made for a 1993 disaster claim that had been approved for payment. We attribute these problems to poor administration and ineffective STO oversight of CO operations.

The STO oversight, which was supposed to assure that FSA procedures are properly and consistently applied, was blatantly deficient. Clearly, [] SAO] should have been aware of the questionable P&CP credit for double cropping (PP and failed) rice when this was not a normal practice for the area. [] SAO] also should have assured that necessary reports were generated to determine whether bases and yields were proper and that disaster assistance was not being abused. Also, a followup review of CO operations by an ACOR was superficial and ineffective in that it reported previously identified problems were okay, and did not disclose problems reported in the SCOR review and our subsequent joint review.

**COUNTY OFFICE ACTIONS
IMPROPER**

FINDING NO. 6

[CAO] approved reconstitutions for farms in which [CAO] had interests, and [CAO] did not properly disclose all financial interests. Other administrative deficiencies such as inadequate COC minutes and records contributed to many of the problems disclosed in this review going undetected. Information concerning these problems is discussed below.

[CAO] Improperly Approved Reconstitutions

In violation of conflict-of-interest provisions, [CAO] approved two reconstitutions (A50010 and A50011) for farms in which [CAO] had interests. (The third reconstitution (A60061) cited by the special COR review was approved by a COC member.) [CAO] claimed to be unaware of approving reconstitutions for such farms. Additionally, there was no documentation that the COC performed required reviews of [CAO] decisions. Therefore, there was no assurance that approval of the requests for reconstitution was proper.

The extent of benefits accruing to [CAO] and a relative from rice CAB's built by improper reconstitutions and P&CP credit totalled about \$490,000 as detailed in Finding No. 1 of Chapter 1. The rice CAB's were built on farms owned by entities associated with producer 2 and cash leased to entities in which [CAO] had interests. [CAO] and COC were also instrumental in allowing reconstitutions, improper P&CP credit, and unearned disaster benefits that contributed to over \$7.7 million in unearned benefits paid, or scheduled for payment, for other producers, primarily those associated with producer 2.

The COC members or employees acting in official capacities are not allowed to sign program documents or participate in any decisions affecting any farms in which they have interests or for which they are representatives or fiduciaries.⁵⁵

The COC reports for farm combinations showed [CAO] approved reconstitutions A50010 and A50011 on March 23, 1995. A COC member approved reconstitution A60061.

[CAO] and a relative had interests in both farms resulting from combinations A50010 and A50011 as shown in the table below. There was nothing to indicate the COC performed the required reviews of these reconstitutions.

⁵⁵ FSA Handbook 22-PM (Revision 1), paragraph 402 D, dated February 8, 1991.

RECONSTITUTION NO.	RESULTING FARM	[CAO] INTEREST
A50010	152	Indirect <u>1/</u>
A50011	153	Indirect <u>2/</u>
<u>1/</u>	[CAO] relative and corporation 1, in which [CAO] and a relative each had a 50-percent interest, participated in the rice and/or wheat programs on the farm.	
<u>2/</u>	Corporation 1 participated in the rice program on the farm.	

[CAO] Did Not Report All Financial Interests

[CAO] did not disclose all financial interests for at least calendar years 1993 through 1997. [CAO] stated the interests were not reported in two farming corporations because of lack of awareness of the requirement to do so. As a result, the SED was not provided complete information on which to base a determination of conflict of interest.

All [CAO] are required to file forms ASCS-324, Confidential Statements Regarding Financial Interests and Outside Employment, by January 31 of each year. [CAO] is required to list information on the form indicating holdings, employment, and memberships as of the end of the immediately preceding calendar year and to send the completed form to the SED for review and certification.⁵⁶ The SED is required to determine whether a conflict of interest or appearance of conflict of interest exists.⁵⁷

Form ASCS-324 requires [CAO] to disclose on the form all institutions, including corporations, in which [CAO] has any continuing financial interest as an employee, officer, owner, director, trustee, member, partner, advisor, or consultant, or in the ownership of stock. Likewise, the form requires [CAO] to disclose all institutions of which [CAO] is an employee, officer, member, trustee, director, consultant, or advisor, with or without compensation.

The STO provided us copies of [CAO] forms ASCS-324 for calendar years 1991 through 1995 and 1997. (An STO official stated the calendar year 1996 form was misplaced.) [CAO] consistently reported on the forms ASCS-324 that [CAO] no reportable financial interests and no reportable non-ASCS employment.

However, our review showed [CAO] had several reportable financial interests for 1991 to the present as shown in the table below.

⁵⁶ FSA Handbook 22-PM (Revision 1), paragraph 402.5 A, dated February 8, 1991.

⁵⁷ FSA Handbook 22-PM (Revision 1), paragraph 402.5 B, as of February 8, 1991.

INSTITUTION	DESCRIPTION OF [CAO] FINANCIAL INTEREST	CALENDAR YEARS
Corporation 1	Secretary Stockholder (50%)	1993 to present
Corporation 2	President Stockholder (50%)	1993 to present

Corporations 1 and 2 were farming operations participating in FSA programs in Jackson County. In addition, the minutes of the January 5, 1995, annual meeting of the stockholders of corporation 3 stated the local FSA office "is presently headed by our farm manager." Corporation 3 was a landowner participating in FSA programs in Jackson County and shareleasing its land to corporation 2. [CAO] professed to be unaware of the requirement to report corporate farming interests on form ASCS-324 and said corporation 3's reference to the FSA office being presently headed by its farm manager was a misnomer.

During the audit, FSA initiated administrative action against [CAO].

Inadequate COC Minutes

The COC minutes did not contain pertinent information to justify actions of the COC. Noticeably absent were COC actions with respect to peanut quota transfers, reconstitutions, and pay limit person determinations. Also, minutes were not timely prepared, properly approved, or timely submitted to the STO.

The minutes are legal and binding records of committee actions.⁵⁸ [CAO] the COC [] during the meetings and preparing minutes which include the pertinent facts and actions taken for each item discussed.⁵⁹

The minutes are to be reviewed for the previous meeting as the first item of business at the time of the next meeting. After the minutes are reviewed and corrected, as necessary, the [COC member] and [CAO] are to sign them.⁶⁰ As soon as the minutes are prepared (and usually prior to approval), a copy is to be

⁵⁸ FSA Handbook 16-AO (Revision 1), paragraph 38 A, dated March 17, 1978, and Handbook 16-AO (Revision 2), paragraphs 194 A, dated May 9, 1996, and July 28, 1997.

⁵⁹ FSA Handbook 16-AO (Revision 1), paragraphs 38 A and B 5, dated March 17, 1978, and June 22, 1993, respectively, and FSA Handbook 16-AO (Revision 2), paragraph 179 A, dated May 9, 1996, and July 28, 1997, and paragraph 194 B, dated May 9, 1996, and July 28, 1997.

⁶⁰ FSA Handbook 16-AO (Revision 1), paragraph 38 C, dated June 22, 1993, and FSA Handbook 16-AO (Revision 2), paragraphs 194 B and C, dated May 9, 1996, and July 28, 1997.

sent to the STO.⁶¹ The STO administrative management (prior to May 9, 1996) or the SED (effective May 9, 1996) is to circulate informational copies of the minutes received in the STO.⁶²

Minutes Not Properly Approved

There were about 90 COC meetings from January 1, 1993, through June 16, 1998 (the last COC meeting date before the audit). We found that the minutes on file at the CO for 47 of those meetings were not approved by [both CAO] and COC [member] as required. Required signatures were either missing or employee 7 signed the names of [CAO] and COC [member]. Employee 7, generally, did not attend the COC meetings.

Pertinent Facts and Actions Not Documented

Transfers of Peanut Quota. We found COC signatures were not obtained for 8 of the 11 peanut quota transfers at the CO for 1996, although the quotas were transferred. In spite of the absence of COC signatures, COC approval was generally indicated by marks in the "approved" blocks on the applicable Forms FSA-375, Transfer of Peanut Quota, and the COC signature blocks were dated. Forms FSA-375 and the fall quota transfer report on file at the CO showed the transfers were approved on June 18, 1996; June 18, 1997; November 13, 1996; and November 11, 1996. However, we were unable to locate COC minutes for the November 13, 1996, or November 25, 1996, COC meetings,⁶³ and the minutes of the June 18, 1996, meeting did not document approval of the corresponding peanut transfers.

"Actively Engaged in Farming" and "Person Determinations". The COC minutes did not adequately document actions taken with regard to actively engaged in farming and person determinations. In lieu of including pertinent facts, such as the names of the producers for whom determinations were made and the actual determinations made, the minutes simply stated the COC "reviewed operating plans and made actively engaged in farming and person determinations * * * which are documented on Form CCC-503A." The minutes do not include basic details such as the producers' names for whom determinations were made.

Our joint review with FSA identified about 300 Forms CCC-503A, COC Worksheet for "Actively Engaged in Farming" and "Person" Determinations, that were incomplete, including about 100 on which the actively engaged in farming

⁶¹ FSA Handbook 16-AO (Revision 1), paragraph 38 D 3, dated June 22, 1993, and FSA Handbook 16-AO (Revision 2), paragraph 195 A, dated May 9, 1996, and July 28, 1997.

⁶² FSA Handbook 16-AO (Revision 1), paragraph 29 B, dated August 15, 1994, and FSA Handbook 16-AO (Revision 2), paragraph 195 B, dated May 9, 1996, and July 28, 1997.

⁶³ The STO has no record of meetings on these dates.

determinations were not documented and 50 on which the person determinations were not documented.

One of the incomplete forms CCC-503A was for corporation 4, owned by [CAO] relative. The COC's actively engaged in farming determination was not documented on the form CCC-503A. Additionally, there was no Form CCC-502, Farm Operating Plan for Payment Limitation Review, on file at the CO for corporation 4 on which the COC could have based its determinations. The entire contents of the payment limitation file for corporation 4 consisted of the incomplete form CCC-503A, articles of incorporation, application for employer identification number, stock certificate, and minutes of the organizational meetings of the board of directors and shareholders of corporation 4.

Farm Reconstitutions. The COC minutes generally were inadequately documented with the facts and circumstances of farm reconstitution requests. Program regulations provide that a farm reconstitution can be initiated by the landowner, the COC, or the farm operator.⁶⁴ In 35 cases, we could not ascertain whether the landowner, the COC, or the farm operator initiated the request. In these cases, CO employees did not obtain signatures from the requesting parties on form ASCS-155 and the COC minutes did not contain detailed information about any reconstitutions that were approved by the COC.

Minutes Not Timely Submitted to STO

Also, STO records showed the CO did not timely submit to the STO copies of the COC minutes. We obtained information from the STO about COC minutes submitted to them from 1996 through 1998. During that time there were 39 meetings for which minutes were required. In 18 instances, the STO had no record that minutes were received, and in 15 instances the minutes were received 3 or more months after the COC meeting dates.

Recordkeeping Problems Related to PFC's

Program eligibility documents were not always on file to justify making PFC payments. This occurred because of insufficient attention to duty by the [employee no. 6] and ineffective oversight by [CAO SAO]. Without the required eligibility documents, improper PFC payments could have been made; however, this situation was corrected by the FSA task force during the audit.

The FSA task force discovered required payment eligibility documents were not on file at the CO for 171 of the 1,013 producers receiving 1998 PFC payments. For payments to be made, each producer must have on file (1) an approved form CCC-502, (2) either a completed Form FSA-570, Waiver of Eligibility for Emergency Assistance, or proof of crop insurance, and (3) a certification on Form AD-1026, Highly Erodible Land Conservation (HELC) and Wetland Conservation

⁶⁴ 7 CFR 719.5, January 1, 1992, edition; FSA Handbook 2-CM (Revision 3), paragraph 70 A, dated December 5, 1991.

(WC) Certification, for the producer and all affiliated producers. The extent of the problem is shown below.

<u>MISSING/INVALID FORM</u>	<u>NO. OF CASES</u>
CCC-502	64
FSA-570	63
AD-1026	70

During the audit, acting CO employees updated the automated system to preclude payments to producers for whom there were no valid forms CCC-502, FSA-570, and/or AD-1026 on file. The acting CO employees required the producers to file or update the applicable forms before payments were made. No further corrective action is necessary.

The present CO staff has corrected the problems cited within the COC minutes.

Problems with Dates, Signatures, and Incomplete Documents

The CO employees predated absent producers' and COC members' (approval) signatures on program documents and backdated producers' signatures for several different programs. Employee 2 made a signature "witnessing" 18 nonexistent producers' signatures for 7 peanut quota transfers in 1996. The transfers were executed in spite of absent producers' and COC members' signatures. Likewise, the special COR review disclosed another employee did not obtain all required producers' signatures for reconstitutions. Some of the missing signatures had been predated. The audit disclosed the employee obtained some of the missing signatures subsequent to the special COR review, and the employee or the producers backdated those signatures which had not been predated. One such backdated signature was that of the COC [member], who denied making the signature, approving a 1996 farm reconstitution.

An employee [] offered no explanation for witnessing nonexistent signatures on the transfer documents and predated producers' and COC members' signatures, but acknowledged it was wrong to have done so. Other than problems with the signatures, we found nothing wrong with the transfers.

Nonpayment of Disaster Claims

In response to a complaint by producer 60, we reviewed his disaster claims to determine if he was due benefits that were not paid. We found that the producer was not paid \$3,866 in 1993 disaster benefits that CO records showed as approved for payment.

Our review of the producer's 1993 disaster file showed that he filed for soybean crop losses on seven farms. The COC approved the forms ASCS-574 for six of the seven farms and disapproved the seventh because it was late-filed. The COC also reduced the established yield on five farms because the producer had reported on form ASCS-574 that the soybeans were planted after the final plant date. Based on the reduced yield, the recomputation of disaster benefits showed that three farms (farms 122, 123, and 127) should have received \$3,866 in disaster benefits, and two farms should have received none.

The employee [] did not know why producer 60 had not been paid the disaster benefits. This was the only case that came to our attention where disaster benefits were not issued to the producer. Information about the case was referred to the CO during the audit.

Staff Responsibilities

[CAO] was responsible for directing and managing all CO program and administrative activities. Primary duties included direction for the establishment and maintenance of farm records related to crop histories, reconstitutions, acreage bases and yields, and determining producers' eligibility for disaster assistance. Through interviews with the CO employees, we learned that [CAO] did not review their work. However, [CAO] by virtue of such position, should have been aware of most of the problems disclosed by this review. Accordingly, [CAO] should have been fully aware that reconstitutions and P&CP acreage credits were used to obtain additional benefits. However, [CAO] did not consider this wrong or illegal.

The standard position description for [employee 2] requires knowledge of all programs to coordinate the work activities of other office employees. It also defines as primary duties of the position, the review of work in process and guidance to others on complex problems. Through interviews with office employees, we learned that [employee 2]'s duties were limited to administrative operations. Thus, [employee 2] was not responsible for the problems regarding reconstitutions, P&CP credits, and disaster claims identified in this review. However, [employee 2] was responsible for the problems dealing with the COC minutes, processing of CCC checks, and collection of overpaid interest.

One employee was responsible for processing P&CP acreage credits, cotton yields, and the program where unauthorized rice CAB and yield increases were made. Another employee was responsible for processing farm reconstitutions and the processing of crop acreage reports by producers. Two employees were responsible for recordkeeping problems related to the PFC's. A different employee was responsible for processing disaster payments we questioned. However, a bigger problem was the approval of such payments by [CAO] and COC.

The FSA has initiated administrative actions against some employees, and [] employees are no longer working at the Jackson CO. [] employees are working at other FSA CO's in Arkansas, and [] employee, although [] Jackson County, has been [] another CO. [] employee has [] Jackson CO [] CO during the joint review.

RECOMMENDATION NO. 11

Take appropriate administrative action against applicable CO personnel for the deficiencies in program administration.

FSA Response

The FSA responses to Recommendations Nos. 6 and 9 provided information showing the administrative action that has been taken against CO employees.

OIG Position

Although we are in agreement with the corrective action that has been taken, as previously stated, additional corrective action may be necessary after the results of the OIG investigation and related civil or criminal remedies are known.

STATE OFFICE OVERSIGHT INADEQUATE

FINDING NO. 7

As discussed in Chapter 1, [SAO] reviews did not disclose unauthorized changes in the computer system or the questionable nature of rice disaster claims. Further, the ACOR review was superficial and ineffective in identifying and correcting existing problems. Both of these types of reviews are a part of the STO oversight function. Information concerning these problems is discussed below.

[SAO] Responsibilities

[SAO] has responsibility for STO oversight of FSA programs administered through the CO. As such, he routinely visits the CO and meets with the COC and office staff to discuss problems with program administration. In performing these duties, [SAO] should have been aware of the questionable P&CP credit for double cropping rice when this was not normal for the area. Also, because required [SAO] reviews were either not made or ineffective, the unauthorized rice CAB increases that were made in the automated system were not detected.

Inadequate Review of CO Operations by the ACOR

A followup review by the ACOR, after release in March 1998 of the SCOR review, did not disclose problems with either the reconstitutions or the other issues stated in the SCOR report. As a result, the SED concluded that there were no major problems needing corrective action in Jackson County. The National office did not concur and asked OIG to conduct an audit to determine the extent of problems reported by the SCOR. (As previously stated, FSA COR persons assisted us in the audit review.)

Through interviews we learned that the ACOR did not conduct a thorough review, but primarily relied upon the testimony of CO employees and completed his review in only 2 and one-half days. The ACOR did not make any attempt to determine whether CO personnel properly reconstituted farms, performed spot-checks, and established yields in accordance with procedure. The review attempted to determine whether the situations identified by the SCOR review were unique to farms in which [] CAO] or producer 2 had interests.

The SCOR had prepared a flowchart to demonstrate how reconstitutions were used to build CAB since 1992. The ACOR claimed to not understand the flowchart and, thus, did not analyze reconstitutions to determine whether farms were involved in CAB-building schemes. The ACOR acknowledged [] CAO] approved reconstitutions for farms in which [] CAO] had interests. However, the ACOR concluded there was no conflict of interest since [] CAO] had likewise approved reconstitutions for farms in which [] CAO] did NOT have interests.

The ACOR reviewed spot-checks for farms operated by [] CAO] and by other producers in the county. He found reported and determined acres were equal in the majority of cases. A CO employee told him photography, official acreage, and past records were used to assist operators in certifying accurately, and aerial slides were used in most cases to spot-check farms. The ACOR concluded it did not appear unusual that such acres were equal, and determined spot-checks were completed properly for [] CAO].

Likewise, the ACOR reviewed rice yields established using three similar farms for farms associated with producer 2 as well as for other farms in the county. It appeared to the ACOR the three similar farms were chosen at random, but CO employees stated most of the land and cultural practices for rice farms in the county were similar. The ACOR noted a rice yield established for a farm not associated with producer 2 or with [] CAO] also had a higher yield than was transferred in the reconstitution process. The ACOR concluded there was no evidence of special consideration for any yields established.

We found some CO records had been altered subsequent to the SCOR review, but prior to the ACOR review. Specifically, signatures missing from forms ASCS-155 during the SCOR review were in place (and backdated) at the time of the ACOR review.

- The ACOR found the COC [member] signed and dated form ASCS-155 for reconstitution A60061. However, a copy of form ASCS-155 obtained by the SCOR during its review clearly showed the signature was not present at the time of the SCOR review.
- The ACOR found all parties signed and dated form ASCS-155 for reconstitution A40075. However, a copy of form ASCS-155 obtained by the SCOR during its review clearly showed the producers' signatures were not present at the time of the SCOR review.

The ACOR claimed to be unaware of the alterations at the time of the review, and [] CO employee offered no explanation.

The SED stated the brief nature of the ACOR review never raised any questions about the adequacy of the review. The SED's understanding was that neither the SCOR nor ACOR reviews identified any major problems. According to the SED, there were no major problems based on discussions during the SCOR exit conference, and further review was only necessary for conflict-of-interest issues relative to [] CAO] farming interests which the ACOR reported as satisfactory. We concluded that the ACOR review was deficient and distorted the situation in that it did not disclose any problems. Our review generally confirmed the existence of all the problems reported in the SCOR report.

RECOMMENDATION NO. 12

Take appropriate administrative action against applicable STO personnel for inadequate STO oversight.

FSA Response

A complete review will be conducted regarding the performance of the STO personnel identified by this audit as being responsible for the lack of supervision and oversight of the Jackson CO operations. Personnel actions will be initiated as determined appropriate according to the findings of the review.

OIG Position

We are in agreement with the planned corrective action. A management decision can be reached with evidence of the review and related personnel actions. (If planned personnel action is to be taken, we need evidence of a timeframe for completion.)

**PROCESSING OF
PAYMENTS AND COMMODITY
CREDIT CORPORATION
CHECKS**

The SCOR reported that a \$1,174 check payable to FSA by a producer was not properly deposited and was left unsecured on an employee's desk, and that six Forms CCC-184, Sight Drafts, totaling \$10,579 were left unsecured on the same employee's desk. [] employees offered no explanation. We concluded that an absence of any review contributed to the problem.

FINDING NO. 8

The six checks were issued as advance 1998 PFC payments. The producer's check was his voluntary repayment of 1998 PFC benefits on acreage that he ceased to farm in 1998. After to the SCOR's discovery of these seven checks, the employee processed them. The Kansas City Management Office (KCMO) records showed that the six forms CCC-184 were either cancelled or paid, and the personal check was overnight-deposited.

We found that CO personnel retained possession of 24 forms CCC-184 issued from August 14, 1995, to May 19, 1998. To determine the extent of this problem, we reviewed a query containing over 14,000 check transactions issued from September 1, 1996, to July 10, 1998, to determine if the CO had properly retained copies of forms CCC-184 associated with each transaction. Our review identified 25 transactions that did not have copies of corresponding forms CCC-184. An employee subsequently provided us with 23 checks and copies of 4 forms CCC-184. The four copies of form CCC-184 and six of the checks were on our list. Subsequently, a seventh check on the list was found by the task force. Per KCMO records, the remaining 14 transactions had been processed in the following manner: 9 had been paid, 1 charged off, 1 voided, and 3 reported as lost, stolen, or destroyed.

The 24 checks that were found in the CO totaled \$9,491.79 and were dated from August 14, 1995, to May 19, 1998, with 19 of the checks issued prior to October 1, 1996. Five of the checks were issued for administrative expenses, two related to refunds of fees, and three related to PFC payments. The remaining 14 were associated with processing of claims. Nine were claims payments (three to the CCC and six to the Small Business Administration (SBA)) whereas the remaining five resulted from incomplete processing or overpayment of claims.

[] was unaware that the checks were in the file drawer where they were found. [] did not remember receiving the three CCC checks for processing and knew nothing about the excess claim amounts that should have been refunded to the producers.

We obtained a listing of nonnegotiated checks from KCMO for the period October 1, 1994, to July 31, 1998, to determine if other checks had not been negotiated. From this listing, we identified an additional 11 checks totaling \$9,792.76 that had not been negotiated.

Information about the 35 nonnegotiated checks (24 plus 11) were provided to the Jackson CO for corrective action.

RECOMMENDATION NO. 13

Take corrective action relative to 35 checks that have not been negotiated.

FSA Response

The FSA has contacted personnel in the STO and [] CAO] concerning the status of the referenced checks. To their knowledge, none of these checks remain outstanding and not negotiated.

OIG Position

We accept the management decision.

OVERPAYMENT OF PROMPT PAYMENT INTEREST

FINDING NO. 9

No action had been taken in two cases to correct the \$1,739.14 in overpayments of PPI that had been identified by KCMO. Nor had the CO executed the required memoranda of justification for five overpayments that were less than \$35 but greater than \$10.⁶⁵ This occurred because CO reviews were not performed to detect errors made by CO employees.

The CO incorrectly calculated the PPI associated with 20 producers who received their 1994 disaster benefits in 1997 and 1998. The 20 producers' disaster claims were originally denied by the COC, but the denials were overturned through the appeal process. The CO paid the 20 producers PPI totaling \$68,634.59, of which \$31,078.16 was overpayments that KCMO detected and instructed the CO to collect.

Procedures required that overpayments in excess of \$35 be collected, but the CO did not establish claims for collection of \$85.97 from producer 20 and \$1,653.17 from producer 62. Of the seven that were not required to be collected, five exceeded \$10, but the CO did not execute the required memoranda of justification for them. Memoranda of justification are required of the following five producers:

⁶⁵ FSA Handbook 58-FI (Revision 6), amendment 5, paragraphs 114 A and B, dated April 11, 1995.

PRODUCER'S NAME	OVERPAYMENT AMOUNT
Producer 9	\$13.88
Producer 14	\$10.36
Producer 40	\$31.96
Producer 44	\$17.42
Producer 61	\$12.38

RECOMMENDATION NO. 14

Establish claims for \$85.97 for producer 20 and \$1,653.17 for producer 62, and complete memoranda of justification for the identified five producers.

FSA Response

The FSA agreed with the findings. However, given the circumstances, FSA will not initiate any action to collect these overpayments unless criminal activity is determined by OIG. Similarly, we will not require memoranda of justification for the identified five producers.

OIG Position

This matter is not under investigation. To reach a management decision, we need additional documentation to fully explain the decision to forego collection of the overpayments.

KNOWN IMPROPRIETIES TO EVADE DEBT OFFSET

FINDING NO. 10

staff and COC to overlook or at least not correct known abuse.

Producer 58 and his wife created a fictitious corporate entity to evade offset of program benefits for payment of a prior crop insurance debt. When learning of the fictitious entity, CO staff and the COC did not recover PFC payments already made to the fictitious entity, determine whether an individual who replaced the fictitious entity was entitled to the payments, or properly report the matter to the appropriate agency. This happened because of a willingness of the CO

Producer 58 was placed on the CO debt record in 1993 for nonpayment of a crop insurance debt of \$41,267 that resulted from falsely reported crop losses during 1988. Since 1993, the producer created or used other entities, including his wife, to evade payment offset of the crop insurance debt. However, the use of program payment offset to pay the crop insurance debt is no longer an issue because producer 58, based on a settlement with the court, repaid the debt in November 1999.

In 1996, the producer's wife used a fictitious corporation (producer 63) to obtain 1996 PFC payments of \$33,667 under the AMTA program. The wife of producer 58 signed the PFC contract as president of producer 63.

In January 1997, individual A, who was not a farmer, informed CO employee 2 that his name and social security number had been improperly used by the wife of producer 58 to obtain program payments. Individual A told employee 2 that he was shown as a 100-percent stockholder in producer 63, when in fact he was not a stockholder, and he did not get any program payments. Information about these improprieties were detailed in writing to the CO by individual A's attorney.

In August 1997, the COC approved a PFC modification giving an individual (producer 59) the crop-share interest previously shown for producer 63. We were told that producer 59 was a farmhand for producer 58; however, we made no further inquiry to determine whether he was qualified to receive the PFC payments. We concluded that the contract modification was made to avoid program payment offset of the crop insurance debt.

Although the CO was provided information about the fictitious entity, no action was taken to recover the \$33,667 in 1996 PFC payments that this entity received⁶⁶ or to determine whether the farmhand was a legitimate farm operator.

It should be noted that the wife of producer 58, who signed the FSA program documents for the fictitious corporation, is now deceased; therefore, OIG will not pursue further investigation of her false certifications.

RECOMMENDATION NO. 15

Recover 1996 PFC payment of \$33,667, plus interest, made to a fictitious entity that was created to avoid payment offset and determine whether the farmhand (producer 59) was eligible for any payments he may have received.

⁶⁶ Creating a fictitious entity for the purpose of concealing the interest of a person in the farming operation is considered a scheme or device that requires a refund of all payments, plus interest, received by the scheme or device participant for the year in which the scheme or device was adopted. 7 CFR 1400.5(a), January 1, 1997, edition.

FSA Response

The Arkansas STO has been instructed to review the program and payment eligibilities of this producer and any related entities. If determined appropriate, collection will be initiated.

OIG Position

We are in agreement with the planned corrective action. A management decision can be reached with evidence that any resultant overpayments are collected or set up as accounts receivable or that the appropriate agency relief provisions are followed if a decision is made to grant relief.

PROBLEMS WITH PERSON DETERMINATIONS AND RELATED COMPUTER DATA ENTRIES

FINDING NO. 11

The COC did not properly combine corporations with their controlling members having greater than 50-percent interest to be one person for payment limitation purposes. This occurred due to ineffective oversight. There was another problem in that person determination data was not correctly entered into the automated system. Even though entities were not properly combined and data was not correctly entered into the automated system, we found no evidence that anyone was overpaid.

A member owning more than 50 percent of a corporation is required to be combined with the corporation as one person for payment limitation purposes.⁶⁷ To determine whether this was done, we queried the automated system at the CO to identify corporations which had controlling members for 1998 and/or 1999. We identified 76 corporations as shown in the following table.

⁶⁷ FSA Handbook 1-PL (Revision 1), paragraph 313 B, dated February 17, 1995.

76 Corporations With Controlling Members			
42 corporations were active for 1998 and/or 1999.		34 corporations were inactive for 1998 and 1999.	
31 were not combined with the controlling member in the system.	11 were combined with the controlling member in the system. (NO FURTHER REVIEW.)	28 were not combined with the controlling member in the system. (NO FURTHER REVIEW.)	6 were combined with the controlling member in the system. (NO FURTHER REVIEW.)
20 were not combined because the COC made an incorrect (not combined) determination.	11 were not combined because of data entry error. (See Finding No. 13.)		

For the 31 active corporations which were not combined with their controlling members, nothing came to our attention to indicate the corporations and their controlling members were issued 1998 PFC payments in excess of the (\$40,000) limit afforded one person. (Final 1999 PFC payments had not been issued at the time of our review.)

We found that employee 2, [CAO], and the COC members were generally aware of the combined person rule for a corporation with a controlling member. The COC [member] said it was just an oversight that corporations were not combined with controlling members.

Our review also disclosed incorrect data entered in the automated system for 11 of the 31 cases. For six of the cases, member information in the system was not the same as the information reflected on the forms CCC-502 and in the payment limitation folders on file at the CO. Indications are the member information in the automated system has been incorrect since 1992 for one of the corporations, since 1994 for two of the corporations, since 1996 for two of the corporations, and since 1997 for another corporation.

Employee 2, who was primarily responsible for entering the data, told us of concern about the reliability of the data in the automated system because the automated and physical files were never reconciled at the CO. Employee 2 said it was "hit and miss" updating payment limitation data since 1996 (when continuous updates were implemented and producers did not have to perform annual updates).

Although the responsible employee stated that the automated and physical files were never reconciled, we noted [SAO] determined in 1997 that the CO correctly loaded payment limitation data based on a review of the prepayment register and COC minutes. Neither document showed in detail what was in the system and, in fact, the COC minutes contained no payment limitation information

other than a canned statement that the COC "reviewed operating plans and made actively engaged in farming and person determinations." [SAO] acknowledged not writing down everything considered in reviews and stated normally reviews looked at the "whole system of things," including form CCC-502 and the (automated) entity flags. Notwithstanding [SAO] claims of reviewing the "whole system of things," we questioned whether [SAO] reviews were effective and comprehensive enough to detect program irregularities. This conclusion is further supported by the employee comments and the problems we found with the accuracy of the computer data.

RECOMMENDATION NO. 16

Reconcile the physical farm files with the automated files to ensure that correct payment limitation data is entered into the automated system.

FSA Response

For 1999, new forms CCC-502 and related agency forms were submitted by every producer requesting program benefits. This was to ensure that the respective payment eligibility and limitation determinations were based on current information. The automated subsidiary and entity files are now reflective of these determinations. The STO assisted in making any determinations that were complex, questionable, or were required by appropriate procedure.

OIG Position

We accept the management decision.

GENERAL COMMENTS

Included in this section are five items questioned by the SCOR or the joint FSA/OIG review that we did not find wrong or have been corrected.

Alleged Outside Farming Interest Conflicts

During the audit, it was alleged by one producer that [] CAO] was farming when [] CAO] should have been working at the CO. The producer could not provide specific dates or times when this absence occurred, and we were unable to develop other collaborative information to support the allegation.

Use of Sick Leave

The SCOR reported an employee took 9 hours sick leave on December 17, 1997, and on that date attended a retirement reception at the STO.

We found the employee took 9 hours sick leave on December 17, 1997, but on that date attended a retirement reception at the quarterly meeting of the Arkansas Association for State and CO employees. The employee had two medical appointments (one in the morning and one in the afternoon) in Little Rock on that date. Little Rock is about 93 miles away (about 2 hours) from the CO in Newport, Arkansas.

The employee also told us that the medical tests were in the morning, and that the afternoon appointment was contingent upon the results of the morning tests. The results of the morning tests did not warrant an afternoon appointment, but the results of the tests were not available until the afternoon.

The medical services provider confirmed the employee had a December 17, 1997, appointment. Based on this information, we did not question the use of sick leave.

Actively Engaged in Farming Determination

The SCOR reported that there was no documentation on file to support an actively engaged in farming determination for one producer. We found that, in this case, the COC had not made such a determination; however, the producer did not receive a farm program payment. For this reason, the determination was a moot point, and no further action was considered necessary.

Record of Landownership Not Updated

As reported by the SCOR, a deceased landowner was still listed on a farm where the farm operator participated in the farm program based on a cash lease. These records were updated by the task force during the audit when they discovered required payment eligibility documents were not on file for processing PFC payments.

Questionable P&CP Credit for Wheat

As shown in the Background section of the report, the SCOR identified two cases where questionable P&CP credit was given for wheat that may not have been planted. The special task force, in their review, did not find sufficient information to challenge the P&CP credit for wheat, but on both of the farms the RBW acreage was considered ghost acres, and P&CP credit for RBW was disallowed.

EXHIBIT A - SUMMARY OF MONETARY RESULTS

CHAPTER	DESCRIPTION	AMOUNT	CATEGORY
1	Payments Resulting from Improper P&CP and Disaster Credit, Improper Reconstitutions, and Unauthorized Increases in CAB's and/or Yields	<u>A/</u> \$4,760,749	FTBPTBU
		<u>B/</u> 1,555,706	QCRR
1	Payments Resulting from Improper P&CP Credit for RBW That Did Not Involve Ghost Acres	<u>C/</u> 182,529	FTBPTBU
		<u>D/</u> 153,289	QCRR
1	Payments Resulting from Improper P&CP Credit for Initial Planted Rice That Was Not Disaster Related	<u>C/</u> 104,012	FTBPTBU
		<u>D/</u> 82,615	QCRR
1	Unauthorized Rice Yield Increases in 1992	<u>E/</u> 399,982	QCRR
	Unauthorized Rice CAB Increases in 1993	<u>F/</u> 650,734	QCRR
	Unauthorized UPCN Yield Increases in 1996	<u>G/</u>	QCRR
2	1993 Disaster Payments for Rice	<u>H/</u> 584,040	QCRR
	1994 Disaster Payments for Rice	<u>H/</u> 53,276	QCRR
3	Overpayment of PPI	1,739	QCRR
3	1996 PFC Payments to a Fictitious Entity	33,667	QCRR
Total		\$8,562,338	

FTBPTBU - Funds To Be Put To Better Use, Management or Operating Improvement/Savings

QCRR - Questioned Costs, Recovery Recommended

A/ 1998 through 2002 PFC overpayments, including estimated 2000 through 2002 overpayments totaling \$1,918,686 (exhibit D).

B/ 1996 through 1997 PFC overpayments (exhibit D).

C/ 1999 through 2002 PFC payments (exhibit E).

D/ 1996 through 1998 PFC payments (exhibit E).

E/ Resultant 1992 through 1995 deficiency overpayments, and resultant 1996 through 2002 PFC overpayments totaling \$602,262 (\$148,223 QCRR + \$454,037 FTBPTBU) are included in the amounts shown for Chapter 1 (exhibit I).

F/ Resultant 1993 through 1995 deficiency overpayments, and resultant 1996 through 2002 PFC overpayments totaling \$1,370,334 (\$337,256 QCRR + \$1,033,078 FTBPTBU) are included in the amount shown for Chapter 1 (exhibit H).

G/ Resultant 1996 through 2002 PFC overpayments totaling \$173,349 in exhibit J are included in the amount shown in exhibit D.

H/ Exhibit L.

EXHIBIT B - CO EMPLOYEES' AREAS OF RESPONSIBILITY

JOB DESCRIPTION AS OF: ^{1/}		
10/11/90	10/04/95	07/10/98
Conservation, production adjustment - wheat and feed grain		Conservation
Production adjustment - cotton and rice, peanuts, common programs - payment limitations		Commodity production, peanuts, payment limitation []
Compliance - office, common programs - farm records and reconstitutions, automation	Compliance - office, common programs - farm records and reconstitutions	Farm loans, sodbuster/swampbuster, reconstitutions, farm records
(Entered on duty at the CO on December 24, 1995)		Price support
Compliance - field, crop insurance		Compliance - field/office, disaster
Price support - farm-stored and warehouse	Price support - warehouse, disaster, farm programs	Automation
[employee 2], administrative		
Price support and automation	Price support - farm-stored, automation	[]

^{1/} Each row represents the duties of a different CO employee.

**EXHIBIT C - NET PAYMENTS TO PRODUCERS BY
PROGRAM, 1992 THROUGH 1997**

PROGRAM	CALENDAR YEAR					
	1992	1993	1994	1995	1996	1997
DEFICIENCY - WINTER WHEAT	\$ 283,097.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
DEFICIENCY - RICE	11,486,238.49	15,498,991.13	7,577,640.06	19,420,064.85	4,258,570.82	(904.38)
DEFICIENCY - COTTON	9,171.79	24,177.00	18,167.00	2,048.00	(9,099.75)	0.00
DEFICIENCY - FEED GRAIN	315,285.70	582,466.24	209,731.22	313,824.00	(29,526.89)	(75,761.00)
DEFICIENCY - WHEAT	1,348,353.82	1,909,653.00	1,049,886.13	612,118.63	(554,299.43)	(21,986.21)
CONSERVATION RESERVE (PROGRAM)	102,425.00	108,649.90	113,149.51	109,828.00	112,422.00	103,477.00
LOAN DEFICIENCY	1,108,723.23	3,030,711.15	535,334.33	152,444.68	5,788.86	0.00
AGRICULTURAL CONSERVATION	61,227.00	90,959.00	51,977.00	55,394.00	42,076.00	19,358.00
WATER BANK	29,913.00	27,798.00	30,973.00	30,203.00	0.00	0.00
VOLUNTARY DIVERSION - WHEAT	(16,337.68)	0.00	0.00	0.00	0.00	0.00
VOLUNTARY DIVERSION - FEED GRAIN	(17,075.15)	0.00	0.00	0.00	0.00	0.00
DISASTER PROGRAM CROPS	(37,885.22)	0.00	0.00	0.00	0.00	0.00
INTEREST (PENALTY) PAYMENT(S)	5,009.44	0.00	0.00	15,234.34	12,968.84	68,023.66
DISASTER	2,536,182.40	4,459,311.23	2,305,110.00	910,986.00	186,741.00	439,452.00
MARKET GAINS	369,622.91	1,819,432.82	121,308.67	509,551.21	0.00	0.00
RICE MARKETING (EXPENSE)	0.00	546,725.43	6,793.13	33.82	0.00	0.00
EXTENDED FARM STORAGE	0.00	514.52	0.00	0.00	0.00	0.00
PRODUCTION FLEXIBILITY	0.00	0.00	0.00	0.00	14,384,204.00	12,907,773.00
ENVIRONMENT QUALITY INCENTIVES	0.00	0.00	0.00	0.00	9,681.00	15,579.00
NONINSURED ASSISTANCE PROGRAM	0.00	0.00	0.00	0.00	0.00	11,007.00
TOTAL	\$17,583,951.73	\$28,099,389.42	\$12,020,070.05	\$22,131,730.53	\$18,419,526.45	\$13,466,018.07

EXHIBIT D - PFC OVER/UNDERPAYMENTS BASED ON TASK FORCE REVIEW

(1) COUNT	(2) FARM	(3) CROP	CONTRACT ACREAGE		YIELD		PFC OVER(UNDER)PAYMENTS A/							
			(4) PER CO	(5) PER REVIEW	(6) PER CO	(7) PER REVIEW	(8) 1996	(9) 1997	(10) 1998 B/	(11) 1999 B/	(12) 2000 C/	(13) 2001 C/	(14) 2002 C/	(15) TOTAL 1996-2002
1	1	Sorghum	193.4	167.1	47	47	\$340	\$572	\$712	\$916	\$390	\$316	\$306	\$3,552
2	3	Wheat	3.1	3.5	29	29	(10)	(7)	(11)	(14)	(7)	(5)	(5)	(59)
*3	5	Rice	55.5	35.5	5,610	5,610	2,638	2,585	4,171	5,378	2,489	2,012	1,946	21,219
	5	Sorghum	0.0	12.0	0	73	(241)	(405)	(504)	(648)	(276)	(223)	(216)	(2,513)
	5	Wheat	4.6	12.6	38	38	(226)	(164)	(256)	(330)	(148)	(119)	(116)	(1,359)
*4	7	Rice	40.2	3.5	3,141	3,141	2,710	2,657	4,286	5,526	2,558	2,068	1,999	21,804
	7	Wheat	17.6	26.7	41	41	(276)	(199)	(313)	(402)	(179)	(145)	(142)	(1,656)
5	10	Rice	70.0	69.3	4,129	4,129	68	68	108	140	65	53	51	553
6	12	UPCN	130.6	130.6	727	438	2,849	2,446	3,925	5,056	2,233	1,809	1,755	20,073
7	15	Wheat	1.1	0.9	37	37	3	2	4	4	2	1	2	18
8	16	Rice	25.2	20.9	3,738	3,738	372	365	589	760	351	284	275	2,996
9	17	Wheat	11.4	10.9	33	33	12	8	13	18	7	6	6	70
10	18	Sorghum	14.5	12.3	55	55	32	54	67	86	36	30	29	334
*11	19	Rice	43.4	41.2	3,672	3,672	193	189	305	394	182	147	142	1,552
	19	Wheat	65.3	65.5	37	37	(7)	(5)	(7)	(10)	(5)	(3)	(3)	(40)
12	20	UPCN	106.4	106.4	727	431	2,376	2,040	3,275	4,218	1,862	1,510	1,464	16,745
13	22	Rice	31.7	30.8	3,509	3,509	67	66	108	138	64	52	51	546
14	24	Rice	72.3	86.1	5,044	5,044	(1,632)	(1,599)	(2,581)	(3,328)	(1,541)	(1,246)	(1,204)	(13,131)
15	25	UPCN	174.8	174.8	727	424	3,999	3,434	5,510	7,096	3,134	2,539	2,463	28,175
16	29	Sorghum	153.7	142.2	54	54	169	285	355	456	193	157	152	1,767
17	30	Rice	24.1	16.1	5,271	5,271	991	972	1,568	2,022	935	756	731	7,975
18	31	Rice	200.8	158.1	4,415	4,415	4,432	4,344	7,010	9,040	4,183	3,382	3,269	35,660
19	35	Rice	49.8	44.6	3,790	3,790	462	452	729	940	435	352	340	3,710
20	36	Rice	73.5	36.9	5,505	5,505	4,735	4,640	7,489	9,656	4,468	3,613	3,493	38,094
	36	Wheat	217.7	232.3	39	39	(426)	(307)	(484)	(620)	(277)	(224)	(219)	(2,557)
*21	37	Rice	938.7	0.0	5,837	5,837	128,802	126,230	203,702	262,674	121,557	98,270	95,010	1,036,245
	37	Sorghum	229.6	423.2	81	81	(4,308)	(7,246)	(9,020)	(11,592)	(4,930)	(3,998)	(3,864)	(44,958)
	37	Wheat	532.1	572.6	47	47	(1,412)	(1,020)	(1,604)	(2,060)	(922)	(743)	(728)	(8,489)
22	39	Wheat	0.5	0.0	37	37	13	9	15	18	8	7	7	77

EXHIBIT D - PFC OVER/UNDER PAYMENTS BASED ON TASK FORCE REVIEW

(1) COUNT	(2) FARM	(3) CROP	CONTRACT ACREAGE		YIELD		PFC OVER(UNDER)PAYMENTS A/							
			(4) PER CO	(5) PER REVIEW	(6) PER CO	(7) PER REVIEW	(8) 1996	(9) 1997	(10) 1998 B/	(11) 1999 B/	(12) 2000 C/	(13) 2001 C/	(14) 2002 C/	(15) TOTAL 1996-2002
23	42	Sorghum	13.2	13.1	56	56	2	3	4	6	2	2	2	21
24	43	Rice	47.0	37.4	5,191	5,191	1,177	1,154	1,862	2,400	1,111	898	868	9,470
	43	Wheat	86.4	89.7	37	37	(91)	(66)	(102)	(132)	(59)	(48)	(47)	(545)
25	48	UPCN	41.0	41.0	727	430	921	791	1,269	1,632	722	585	567	6,487
26	49	Rice	5.3	0.0	2,649	2,649	330	323	521	672	311	252	243	2,652
27	51	Rice	115.9	108.9	4,115	4,115	672	658	1,062	1,368	634	512	496	5,402
28	54	Rice	318.0	287.3	4,846	4,846	3,497	3,428	5,532	7,132	3,301	2,668	2,580	28,138
29	58	UPCN	44.2	44.2	727	429	995	854	1,371	1,766	780	632	613	7,011
30	60	Rice	266.0	258.0	3,810	3,810	717	702	1,134	1,462	677	546	528	5,766
31	61	UPCN	23.2	23.2	727	430	520	446	716	922	407	330	320	3,661
32	62	UPCN	20.4	20.4	727	395	510	438	703	906	399	324	314	3,594
33	64	UPCN	38.0	38.0	727	430	852	732	1,174	1,512	667	541	524	6,002
34	65	Rice	35.2	27.2	3,560	3,560	670	656	1,059	1,366	632	511	493	5,387
35	73	Wheat	14.4	11.1	32	32	78	56	89	114	52	42	41	472
36	77	Rice	160.4	133.8	4,485	4,485	2,803	2,747	4,433	5,718	2,645	2,139	2,068	22,553
37	81	Rice	168.1	135.8	4,124	4,124	3,136	3,074	4,961	6,396	2,960	2,393	2,313	25,233
	81	Sorghum	12.7	13.4	55	55	(11)	(18)	(22)	(30)	(12)	(10)	(10)	(113)
38	82	UPCN	78.3	78.3	727	428	1,768	1,518	2,437	3,138	1,386	1,123	1,089	12,459
39	83	UPCN	241.8	241.8	727	446	5,128	4,403	7,066	9,102	4,019	3,257	3,159	36,134
*40	104	Rice	51.9	30.4	4,651	4,651	2,353	2,307	3,723	4,800	2,221	1,796	1,736	18,936
41	105	Wheat	13.0	34.6	32	32	(512)	(370)	(581)	(746)	(334)	(270)	(263)	(3,076)
42	116	Rice	59.6	39.7	4,246	4,246	1,996	1,957	3,158	4,072	1,884	1,523	1,473	16,063
43	125	Rice	406.6	366.2	5,165	5,165	4,899	4,801	7,748	9,992	4,624	3,738	3,614	39,416
*44	133	Corn	0.0	7.4	0	66	(104)	(202)	(234)	(302)	(133)	(108)	(104)	(1,187)
	133	Oats	0.0	5.9	0	49	(8)	(8)	(11)	(14)	(7)	(5)	(5)	(58)
	133	Rice	1,043.2	105.0	4,671	4,454	103,544	101,476	163,756	211,164	97,719	78,999	76,378	833,036
	133	Sorghum	118.7	470.9	52	52	(5,034)	(8,465)	(10,538)	(13,546)	(5,761)	(4,671)	(4,515)	(52,530)
	133	UPCN	0.0	1.9	0	443	(63)	(54)	(87)	(112)	(49)	(40)	(39)	(444)
133	Wheat	1,450.2	1,479.4	33	33	(715)	(516)	(812)	(1,042)	(467)	(377)	(368)	(4,297)	

EXHIBIT D - PFC OVER/UNDER PAYMENTS BASED ON TASK FORCE REVIEW

(1) COUNT	(2) FARM	(3) CROP	CONTRACT ACREAGE		YIELD		PFC OVER(UNDER)PAYMENTS A/							
			(4) PER CO	(5) PER REVIEW	(6) PER CO	(7) PER REVIEW	(8) 1996	(9) 1997	(10) 1998 B/	(11) 1999 B/	(12) 2000 C/	(13) 2001 C/	(14) 2002 C/	(15) TOTAL 1996-2002
45	140	Oats	0.0	1.1	0	52	(2)	(1)	(2)	(2)	(1)	(1)	(1)	(10)
	140	Rice	442.5	442.5	4,395	4,441	(478)	(469)	(757)	(976)	(452)	(365)	(353)	(3,850)
	140	Sorghum	1.3	1.3	55	57	0	(1)	(1)	(2)	(1)	(1)	0	(6)
	140	UPCN	6.9	7.5	727	416	145	124	199	256	114	92	89	1,019
	140	Wheat	377.3	423.9	41	40	(1,104)	(797)	(1,254)	(1,608)	(720)	(582)	(568)	(6,633)
46	154	Rice	481.6	406.5	4,680	4,680	8,270	8,105	13,080	16,866	7,805	6,310	6,100	66,536
*47	155	Rice	184.7	94.2	3,250	3,250	6,912	6,773	10,931	14,096	6,524	5,273	5,098	55,607
	155	Sorghum	0.0	12.1	0	53	(177)	(297)	(370)	(474)	(202)	(164)	(158)	(1,842)
	155	Wheat	4.0	51.2	34	34	(1,191)	(860)	(1,352)	(1,736)	(777)	(627)	(614)	(7,157)
48	156	Corn	20.1	0.1	85	85	363	702	815	1,050	462	376	361	4,129
	156	Sorghum	75.0	38.0	53	53	539	908	1,130	1,452	618	500	485	5,632
	156	Wheat	0.0	116.8	0	40	(3,471)	(2,506)	(3,941)	(5,060)	(2,264)	(1,827)	(1,787)	(20,856)
*49	159	Corn	12.9	9.5	95	95	69	134	155	200	88	72	69	787
	159	Oats	2.1	10.5	49	49	(11)	(10)	(16)	(20)	(10)	(7)	(7)	(81)
	159	Rice	700.4	80.9	5,794	3,956	87,862	86,107	138,955	179,184	82,919	67,034	64,811	706,872
	159	UPCN	15.6	11.7	727	441	471	404	649	836	369	299	290	3,318
	159	Wheat	563.8	563.9	37	37	(3)	(3)	(4)	(6)	(2)	(2)	(1)	(21)
50	160	UPCN	31.9	31.9	727	446	676	580	932	1,200	530	429	417	4,764
*51	162	Rice	940.4	747.6	5,800	3,956	58,683	57,511	92,807	119,676	55,382	44,772	43,287	472,118
	162	Sorghum	280.4	280.2	52	52	2	3	4	4	2	1	2	18
	162	UPCN	11.4	11.5	727	435	247	213	341	440	194	158	153	1,746
	162	Wheat	668.5	668.0	41	41	14	11	16	22	10	7	7	87
*52	163	Corn	0.0	4.4	0	62	(58)	(111)	(129)	(166)	(73)	(60)	(57)	(654)
	163	Oats	0.0	10.2	0	49	(14)	(13)	(20)	(26)	(13)	(9)	(9)	(104)
	163	Rice	506.1	135.2	5,480	5,484	47,772	46,818	75,552	97,424	45,085	36,448	35,239	384,338
	163	Sorghum	33.1	52.3	54	58	(344)	(578)	(720)	(926)	(394)	(319)	(308)	(3,589)
	163	UPCN	0.0	7.1	0	447	(238)	(205)	(328)	(422)	(187)	(151)	(147)	(1,678)
	163	Wheat	207.6	241.4	34	34	(853)	(615)	(969)	(1,242)	(556)	(449)	(440)	(5,124)

EXHIBIT D - PFC OVER/UNDER PAYMENTS BASED ON TASK FORCE REVIEW

(1) COUNT	(2) FARM	(3) CROP	CONTRACT ACREAGE		YIELD		PFC OVER(UNDER)PAYMENTS A/							
			(4) PER CO	(5) PER REVIEW	(6) PER CO	(7) PER REVIEW	(8) 1996	(9) 1997	(10) 1998 B/	(11) 1999 B/	(12) 2000 C/	(13) 2001 C/	(14) 2002 C/	(15) TOTAL 1996-2002
*53	165	Corn	50.5	28.9	85	82	409	791	918	1,184	521	424	408	4,655
	165	Oats	148.2	85.8	49	49	86	79	122	156	78	52	52	625
	165	Rice	953.8	590.4	5,801	4,015	74,342	72,858	117,573	151,612	70,161	56,720	54,839	598,105
	165	Sorghum	162.3	192.3	52	52	(429)	(721)	(898)	(1,152)	(491)	(398)	(385)	(4,474)
	165	UPCN	11.5	12.1	727	436	234	201	322	414	183	149	144	1,647
	165	Wheat	626.0	629.6	41	40	356	258	405	520	232	187	183	2,141
*54	166	Corn	94.2	63.2	78	78	517	1,000	1,161	1,496	659	535	515	5,883
	166	Oats	38.9	59.2	49	49	(28)	(26)	(40)	(50)	(25)	(17)	(17)	(203)
	166	Rice	1,923.0	1,117.2	5,457	5,452	103,510	101,442	163,702	211,092	97,687	78,973	76,353	832,759
	166	Sorghum	333.1	343.9	54	54	(161)	(270)	(336)	(432)	(184)	(149)	(144)	(1,676)
	166	UPCN	65.1	55.7	727	443	1,710	1,468	2,356	3,034	1,340	1,085	1,053	12,046
	166	Wheat	2,441.6	2,264.3	33	33	4,346	3,137	4,934	6,336	2,834	2,288	2,238	26,113
55	167	Wheat	11.0	10.8	32	32	6	4	6	8	3	3	3	33
56	168	Wheat	47.5	43.8	32	32	90	65	102	132	58	47	46	540
57	169	Rice	57.8	37.0	3,357	3,357	1,634	1,601	2,584	3,332	1,542	1,247	1,206	13,146
58	170	Rice	10.2	0.0	5,448	0	1,311	1,285	2,073	2,674	1,237	1,000	967	10,547
	170	Wheat	17.3	24.9	35	35	(198)	(143)	(226)	(290)	(130)	(104)	(102)	(1,193)
*59	171	Rice	13.6	0.0	5,448	5,448	1,748	1,713	2,764	3,564	1,649	1,333	1,289	14,060
	171	Wheat	123.1	137.4	35	35	(373)	(269)	(423)	(544)	(243)	(196)	(193)	(2,241)
60	172	Wheat	943.6	943.5	50	50	4	4	5	6	3	2	2	26
*61	173	Corn	192.0	192.9	85	85	(17)	(33)	(39)	(48)	(22)	(17)	(17)	(193)
	173	Oats	8.0	9.3	49	49	(2)	(2)	(2)	(4)	(2)	(1)	(1)	(14)
	173	Rice	1,247.3	1,060.3	5,435	4,822	39,164	38,382	61,938	79,870	36,961	29,880	28,889	315,084
	173	Sorghum	211.5	206.6	52	51	127	214	267	342	145	118	114	1,327
	173	UPCN	27.4	17.0	727	438	941	808	1,296	1,670	737	597	580	6,629
	173	Wheat	698.1	743.2	35	35	(1,172)	(846)	(1,331)	(1,708)	(764)	(616)	(603)	(7,040)

EXHIBIT D - PFC OVER/UNDER PAYMENTS BASED ON TASK FORCE REVIEW

(1) COUNT	(2) FARM	(3) CROP	CONTRACT ACREAGE		YIELD		PFC OVER(UNDER)PAYMENTS A/							
			(4) PER CO	(5) PER REVIEW	(6) PER CO	(7) PER REVIEW	(8) 1996	(9) 1997	(10) 1998 B/	(11) 1999 B/	(12) 2000 C/	(13) 2001 C/	(14) 2002 C/	(15) TOTAL 1996-2002
*62	174	Corn	56.9	52.5	76	62	230	443	515	662	292	237	229	2,608
	174	Oats	117.7	93.7	49	49	33	30	47	60	30	20	20	240
	174	Rice	2,049.4	1,446.3	5,479	5,454	78,522	76,954	124,183	160,136	74,105	59,908	57,921	631,729
	174	Sorghum	209.0	198.6	59	58	224	377	470	604	257	208	201	2,341
	174	UPCN	47.0	39.9	727	443	1,249	1,072	1,721	2,218	979	793	770	8,802
	174	Wheat	1,629.3	1,565.7	33	33	1,560	1,126	1,771	2,274	1,018	821	804	9,374
63	175	Corn	0.0	0.2	0	62	(3)	(6)	(7)	(10)	(4)	(3)	(3)	(36)
	175	Oats	0.0	0.3	0	49	0	0	(1)	0	0	0	0	(1)
	175	Rice	0.0	3.7	0	5,443	(467)	(457)	(738)	(952)	(440)	(356)	(344)	(3,754)
	175	Sorghum	0.0	1.2	0	58	(19)	(32)	(39)	(50)	(21)	(17)	(17)	(195)
	175	UPCN	0.0	0.2	0	443	(8)	(7)	(11)	(14)	(6)	(5)	(5)	(56)
	175	Wheat	16.2	8.2	33	33	196	141	223	286	128	103	101	1,178
64	176	Corn	0.0	0.6	0	62	(8)	(15)	(17)	(22)	(10)	(8)	(8)	(88)
	176	Oats	0.0	1.3	0	49	(2)	(2)	(3)	(4)	(2)	(1)	(1)	(15)
	176	Rice	0.0	14.6	0	5,443	(1,867)	(1,829)	(2,952)	(3,806)	(1,762)	(1,424)	(1,377)	(15,017)
	176	Sorghum	0.0	4.9	0	58	(79)	(132)	(165)	(212)	(90)	(73)	(71)	(822)
	176	UPCN	0.0	0.9	0	443	(31)	(27)	(43)	(56)	(25)	(20)	(19)	(221)
	176	Wheat	64.4	32.8	33	33	773	558	877	1,128	504	406	398	4,644
Total			28,568.4	23,577.0	186,715	183,111	\$789,294	\$766,412	\$1,241,319	\$1,600,744	\$740,770	\$598,878	\$579,038	\$6,316,455
Crop Count			130											
Difference				4,991.4		3,604								
Total 1996 and 1997 Over(Under)Payments														\$1,555,706
Total 1996 through 1998 Over(Under)Payments														\$2,797,025
Total 2000 through 2002 Over(Under)Payments														\$1,918,686
Total 1998 through 2002 Over(Under)Payments														\$4,760,749

MPA = Maximum Payment Acres

A/ Payment per CO rounded to whole dollars less payment per review rounded to whole dollars. Payment per CO equals (4) x applicable MPA (rounded to one decimal place) x (6) applicable payment rate. Payment per review equals (5) x applicable MPA (rounded to one decimal place) x (5) x applicable payment rate.

B/ Includes Market Loss Assistance (MLA) payments.

C/ Estimated (based on official low estimated payment rate).

* Farms with ties to producer 2 (15 farms with \$5,880,229 in questioned rice PFC payments).

EXHIBIT E - PFC OVERPAYMENTS FOR IMPROPER P&CP CREDIT THAT INCREASED RICE CAB'S

FAILED AND PREVENTED PLANTED RICE BEHIND WHEAT

Count	Farm	Reduced Rice CAB's	Reduced Contract Acres	Corrected Yield for 1996-1998	Corrected Yield for 1999-2002	PFC OVERPAYMENTS							TOTAL
						1996	1997	1998 a/	1999 a/	2,000	2001	2002	
1	4	42.1	35.8	4,334	4,334	\$4,291	\$4,205	\$6,786	\$8,750	\$4,050	\$3,274	\$3,165	\$34,521
*2	6	11.0	9.4	4,334	4,334	1127	1104	1782	2298	1063	860	831	9065
*3	7	1.2	1.0	3,141	3,141	87	85	137	178	82	66	64	699
*4	8	24.0	20.4	5,435	4,822	3066	3005	4849	5548	2567	2076	2007	23118
*5	9	18.0	15.3	5,435	4,822	2300	2254	3637	4162	1926	1557	1505	17341
6	13	5.3	4.5	4,042	4,042	503	493	796	1026	475	384	371	4048
7	28	68.5	58.2	4,680	4,680	7533	7382	11913	15362	7109	5747	5556	60602
*8	52	29.2	24.8	5,724	5,724	3926	3847	6209	8006	3705	2995	2896	31584
9	55	8.0	6.8	4,680	4,680	880	863	1392	1794	831	671	649	7080
*10	57	35.0	29.8	4,671	4,454	3850	3773	6088	7486	3464	2801	2708	30170
*11	66	11.1	9.4	5,457	5,452	1419	1390	2244	2890	1338	1081	1045	11407
*12	91	27.0	23.0	5,794	3,956	3685	3612	5829	5132	2375	1920	1856	24409
*13	92	23.3	19.8	5,479	5,454	3000	2940	4745	6090	2819	2279	2203	24076
*14	94	11.2	9.5	5,457	5,452	1434	1405	2267	2922	1352	1093	1057	11530
*15	110	50.1	42.6	5,042	4,735	5940	5822	9394	11376	5265	4256	4115	46168
TOTAL		365.0	310.3			\$43,041	\$42,180	\$68,068	\$83,020	\$38,421	\$31,060	\$30,028	\$335,818

Total 1996 through 1998 PFC Overpayments
Total 1999 through 2002 PFC Overpayments

\$153,389
\$182,529

INITIAL PREVENTED PLANTED RICE

Count	Farm	Reduced Rice CAB's	Reduced Contract Acres	Corrected Yield for 1996-1998	Corrected Yield for 1999-2002	PFC OVERPAYMENTS							TOTAL
						1996	1997	1998 a/	1999 a/	2000	2001	2002	
1	13	15.9	13.5	4,042	4,042	1,509	1,479	2,387	3,078	1,424	1,151	1,113	12,141
2	14	1.1	0.9	4,159	4,159	104	101	164	212	98	79	76	834
3	21	3.8	3.2	3,797	3,797	336	329	531	686	317	256	248	2,703
4	44	4.3	3.7	3,329	3,329	341	334	539	694	321	260	251	2,740
5	45	2.9	2.5	4,222	4,222	292	286	462	596	275	223	215	2,349
6	53	4.7	4.0	3,313	3,313	366	359	580	748	346	280	270	2,949
7	67	47.0	40.0	4,896	4,896	5,416	5,308	8,566	11,046	5,111	4,132	3,995	43,574
*8	89	2.3	2.0	4,854	4,856	268	263	425	548	253	205	198	2,160
9	102	20.1	17.1	4,533	4,533	2,144	2,101	3,390	4,372	2,023	1,636	1,581	17,247
10	106	6.7	5.7	3,804	3,804	600	588	948	1,222	566	458	442	4,824
*11	121	22.8	19.4	4,854	4,856	2,604	2,552	4,119	5,314	2,459	1,988	1,922	20,958
12	146	83.9	71.3	4,674	4,674	9,216	9,032	14,576	18,796	8,698	7,032	6,798	74,148
TOTAL		215.5	183.3			\$23,196	\$22,732	\$36,687	\$47,312	\$21,891	\$17,700	\$17,109	\$186,627

Total 1996 through 1998 PFC Payments
Total 1999 through 1999 PFC Payments

\$ 82,615
\$ 104,012

* Farms with ties to producer 2 (2 farms with \$252,685 in questioned PFC payments.

Payment rates used in calculation of PFC payments:

1996-\$0.2765567	2000-\$0.0261
1997-\$0.2710337	2001-\$0.0211
1998-\$0.04373785	2002-\$0.0204
1999-\$0.0564	

EXHIBIT F - 1993 THROUGH 1995 RBW THAT WERE GHOST ACRES AND/OR FAILED OR PP

(1) COUNT	(2) FARM <u>2/</u>	RBW ACRES <u>1/</u>					(8) INITIAL PP RICE ACRES
		(3) TOTAL	(4) GHOST ACRES <u>3/</u>	(5) FAILED	(6) PP	(7) FAILED OR PP (5)+(6)	
1993							
1	4 N P	126.2	0.0	0.0	126.2	126.2	0.0
2	6 N P	33.0	0.0	0.0	33.0	33.0	0.0
3	7 N P	41.3	0.0	0.0	41.3	41.3	0.0
4	8 N P	36.1	0.0	0.0	36.1	36.1	0.0
5	9 N P	27.1	0.0	0.0	27.1	27.1	0.0
6	13 P	15.9	0.0	15.9	0.0	15.9	48.0
7	14 P	0.0	0.0	0.0	0.0	0.0	3.2
8	21 P	0.0	0.0	0.0	0.0	0.0	11.5
9	27 P	10.0	10.0	0.0	0.0	0.0	0.0
10	28 P	205.6	0.0	205.6	0.0	205.6	0.0
11	37 N P	1,130.4	348.7	343.6	786.8	1,130.4	0.0
12	41 N P	0.0	0.0	0.0	0.0	0.0	73.3
13	44 P	0.0	0.0	0.0	0.0	0.0	5.4
14	45 P	0.0	0.0	0.0	0.0	0.0	8.7
15	52 N P	147.9	0.0	0.0	147.9	147.9	0.0
16	53 P	0.0	0.0	0.0	0.0	0.0	14.0
17	54 P	90.0	90.0	0.0	0.0	0.0	0.0
18	55 P	24.0	0.0	24.0	0.0	24.0	0.0
19	57 N P	1,537.8	253.1	252.9	1,284.9	1,537.8	0.0

EXHIBIT F - 1993 THROUGH 1995 RBW THAT WERE GHOST ACRES AND/OR FAILED OR PP

(1) COUNT	(2) FARM <u>2/</u>	RBW ACRES <u>1/</u>					(8) INITIAL PP RICE ACRES
		(3) TOTAL	(4) GHOST ACRES <u>3/</u>	(5) FAILED	(6) PP	(7) FAILED OR PP (5)+(6)	
20	66 N P	33.4	0.0	0.0	33.4	33.4	0.0
21	67 N P	0.0	0.0	0.0	0.0	0.0	140.9
22	89 N P	0.0	0.0	0.0	0.0	0.0	6.9
23	91 N P	662.6	0.0	0.0	662.6	662.6	222.0
24	92 N P	70.0	0.0	0.0	70.0	70.0	0.0
25	94 N P	33.6	0.0	0.0	33.6	33.6	0.0
26	102 P	0.0	0.0	0.0	0.0	0.0	60.4
27	104 P	49.3	49.3	49.3	0.0	49.3	0.0
28	106 p	0.0	0.0	0.0	0.0	0.0	20.0
29	110 N P	150.2	0.0	0.0	150.2	150.2	0.0
30	112 N P	337.8	337.8	327.8	10.0	337.8	0.0
31	114 P	162.8	162.8	162.8	0.0	162.8	0.0
32	117 P	40.0	40.0	40.0	0.0	40.0	0.0
33	118 P	427.8	427.8	427.8	0.0	427.8	0.0
34	119 P	271.0	271.0	271.0	0.0	271.0	0.0
35	121 N P	122.9	113.2	113.2	9.7	122.9	58.8
TOTAL (1993)		5,786.7	2,103.7	2,233.9	3,452.8	5,686.7	673.1
COUNT (1993)		25	11	12	15	23	13
1994							
1	1 P	45.0	45.0	0.0	0.0	0.0	0.0
2	2 P	32.6	32.6	0.0	0.0	0.0	0.0

EXHIBIT F - 1993 THROUGH 1995 RBW THAT WERE GHOST ACRES AND/OR FAILED OR PP

(1) COUNT	(2) FARM <u>2/</u>	RBW ACRES <u>1/</u>					(8) INITIAL PP RICE ACRES
		(3) TOTAL	(4) GHOST ACRES <u>3/</u>	(5) FAILED	(6) PP	(7) FAILED OR PP (5)+(6)	
3	6 N P	33.0	33.0	0.0	0.0	0.0	0.0
4	7 P	41.3	41.3	0.0	0.0	0.0	0.0
5	8 N P	36.1	0.0	36.1	0.0	36.1	0.0
6	9 N P	27.1	0.0	27.1	0.0	27.1	0.0
7	10 P	22.0	22.0	0.0	0.0	0.0	0.0
8	19 P	10.0	10.0	0.0	0.0	0.0	0.0
9	22 P	2.8	2.8	0.0	0.0	0.0	0.0
10	23 P	6.0	6.0	0.0	0.0	0.0	0.0
11	26 P	74.7	74.7	0.0	0.0	0.0	0.0
12	28 P	30.0	27.0	0.0	0.0	0.0	0.0
13	30 P	24.2	24.2	0.0	0.0	0.0	0.0
14	31 P	130.0	130.0	0.0	0.0	0.0	0.0
15	32 P	18.4	18.4	0.0	0.0	0.0	0.0
16	33 P	3.0	3.0	0.0	0.0	0.0	0.0
17	34 P	3.9	3.9	0.0	0.0	0.0	0.0
18	35 P	30.0	30.0	0.0	0.0	0.0	0.0
19	36 N P	110.0	110.0	0.0	0.0	0.0	0.0
20	37 N P	1,130.4	745.4	0.0	<u>A/</u> 1,130.4	1,130.4	0.0
21	40 P	10.0	10.0	0.0	0.0	0.0	0.0
22	43 N P	31.7	31.7	0.0	0.0	0.0	0.0
23	44 P	0.0	0.0	0.0	0.0	0.0	7.4
24	47 P	21.9	21.9	0.0	0.0	0.0	0.0

EXHIBIT F - 1993 THROUGH 1995 RBW THAT WERE GHOST ACRES AND/OR FAILED OR PP

(1) COUNT	(2) FARM <u>2/</u>	RBW ACRES <u>1/</u>					(8) INITIAL PP RICE ACRES
		(3) TOTAL	(4) GHOST ACRES <u>3/</u>	(5) FAILED	(6) PP	(7) FAILED OR PP (5)+(6)	
25	49 N P	16.0	16.0	0.0	0.0	0.0	0.0
26	55 P	11.0	11.0	0.0	0.0	0.0	0.0
27	56 P	8.0	8.0	0.0	0.0	0.0	0.0
28	59 P	40.3	40.3	0.0	0.0	0.0	0.0
29	60 P	32.6	32.6	0.0	0.0	0.0	0.0
30	63 P	27.0	27.0	0.0	0.0	0.0	0.0
31	66 N P	33.4	33.4	0.0	0.0	0.0	0.0
32	69 P	131.0	131.0	0.0	0.0	0.0	0.0
33	77 P	100.0	100.0	100.0	0.0	100.0	0.0
34	78 P	3.5	3.5	0.0	0.0	0.0	0.0
35	81 P	108.3	108.3	0.0	0.0	0.0	0.0
36	90 P	68.0	68.0	0.0	0.0	0.0	0.0
37	96 N P	<u>B/</u> 40.0	40.0	0.0	0.0	0.0	0.0
38	102 P	19.1	19.1	0.0	0.0	0.0	0.0
39	103 P	127.8	127.8	0.0	0.0	0.0	0.0
40	109 P	67.8	67.8	0.0	0.0	0.0	0.0
41	113 P	9.4	9.4	0.0	0.0	0.0	0.0
42	114 P	101.3	101.3	0.0	0.0	0.0	0.0
43	124 P	26.3	26.3	0.0	0.0	0.0	0.0
44	126 P	30.0	30.0	0.0	0.0	0.0	0.0
45	128 P	17.2	17.2	0.0	0.0	0.0	0.0
46	129 N P	203.6	203.6	203.6	0.0	203.6	0.0
47	132 N P	909.9	149.3	0.0	<u>C/</u> 909.9	909.9	66.9

EXHIBIT F - 1993 THROUGH 1995 RBW THAT WERE GHOST ACRES AND/OR FAILED OR PP

(1)	(2)	RBW ACRES 1/					(8) INITIAL PP RICE ACRES
		(3)	(4)	(5)	(6)	(7)	
COUNT	FARM 2/	TOTAL	GHOST ACRES 3/	FAILED	PP	FAILED OR PP (5)+(6)	
48	134 P	195.3	195.3	0.0	0.0	0.0	0.0
49	135 P	340.1	340.1	0.0	0.0	0.0	0.0
50	143 P	D/ 178.3	178.3	73.2	0.0	73.2	0.0
51	144 N P	E/ 117.0	117.0	53.0	0.0	53.0	0.0
52	145 P	69.9	69.9	69.9	0.0	69.9	0.0
53	146 N P	0.0	0.0	0.0	0.0	0.0	251.6
54	147 P	56.3	56.3	0.0	0.0	0.0	0.0
TOTAL (1994)		4,962.5	3,750.7	562.9	2,040.3	2,603.2	325.9
COUNT (1994)		52	50	7	2	9	3
1995							
1	2 P	9.5	9.5	0.0	0.0	0.0	0.0
2	11 P	0.9	0.9	0.0	0.0	0.0	0.0
3	16 P	16.1	16.1	0.0	0.0	0.0	0.0
4	38 P	28.1	28.1	0.0	0.0	0.0	0.0
5	44 P	7.2	7.2	0.0	0.0	0.0	0.0
6	51 P	36.6	36.6	0.0	0.0	0.0	0.0
7	65 P	30.0	30.0	0.0	0.0	0.0	0.0
8	78 P	65.0	65.0	0.0	0.0	0.0	0.0
9	81 P	131.3	131.3	0.0	0.0	0.0	0.0
10	84 P	3.0	3.0	0.0	0.0	0.0	0.0
11	101 N P	23.4	23.4	0.0	0.0	0.0	0.0
12	103 P	4.0	4.0	0.0	0.0	0.0	0.0
13	157 P	80.0	80.0	0.0	0.0	0.0	0.0

EXHIBIT F - 1993 THROUGH 1995 RBW THAT WERE GHOST ACRES AND/OR FAILED OR PP

(1) COUNT	(2) FARM <u>2/</u>	RBW ACRES <u>1/</u>					(8) INITIAL PP RICE ACRES
		(3) TOTAL	(4) GHOST ACRES <u>3/</u>	(5) FAILED	(6) PP	(7) FAILED OR PP (5)+(6)	
14	158 P	95.1	95.1	0.0	0.0	0.0	0.0
TOTAL (1995)		530.2	530.2	0.0	0.0	0.0	0.0
COUNT (1995)		14	14	0	0	0	0
GRAND TOTAL (1993-1995)		11,279.4	6,384.6	2,796.8	5,493.1	8,289.3	999.0
COUNT (1993-1995)		91	75	19	17	32	16

1/ Rice was coded in the automated system as double cropped behind wheat.

2/ Farms are annotated to indicate whether the rice was participating (P) or nonparticipating (NP) in ARP.

3/ RBW which was failed or PP.

A/ For disaster purposes, claimed PP rice acreage was first reduced to 981.7 acres because the COC determined some of the land was not conducive to rice production, then denied for various reasons.

B/ Harvested ghost rice acres.

C/ For disaster purposes, claimed PP rice acreage was first reduced to 656.7 acres because the COC determined some of the land was not suitable for growing rice, then denied for various reasons.

D/ 178.3 acres of ghost rice (73.2 acres of failed and 105.1 acres of harvested).

E/ 117.0 acres of ghost rice (53 acres of failed and 64.0 acres of harvested).

EXHIBIT G - SUMMARY OF 1989 THROUGH 1995 RBW HISTORY IN JACKSON COUNTY

YEAR	RICE	REPORTED ACREAGE							
		RICE BEHIND WHEAT <u>1/</u>							
		TOTAL		RICE AND WHEAT SUCCESSFUL		WHEAT PP OR FAILED <u>2/</u>		RICE PP OR FAILED	
		ACRES	% <u>3/</u>	ACRES	% <u>4/</u>	ACRES	% <u>4/</u>	ACRES	% <u>4/</u>
1989	ND	504.3	ND	341.1	67.64	163.2	32.36	0.0	0.00
1990	ND	721.0	ND	567.3	78.68	5.0	0.69	148.7	20.62
1991	ND	788.4	ND	588.0	74.58	200.4	25.42	0.0	0.00
1992	86,002.6	1,602.3	1.86	388.2	24.23	1,200.0	74.89	124.0	7.74
1993	84,733.2	5,944.8	7.02	158.1	2.66	2,103.7	35.39	5,686.7	95.66
1994	94,018.2	5,338.2	5.68	378.7	7.09	3,750.7	70.26	2,603.2	48.77
1995	84,651.2	2,343.0	2.77	1,812.8	77.37	530.2	22.63	0.0	0.00
Total 1993-1995 <u>A/</u>		13,626.0		2,349.6		6,384.6		8,289.9	
Average 1989-1992		904.0							
Average 1993-1994		5,641.5							

ND = No data available.

1/ Rice was coded in the automated system as doublecropped behind wheat.

2/ Rice would be considered ghost acres.

3/ Percentage of total rice reported.

4/ Percentage of RBW reported.

A/ Base years for 1996 CAB/contract acreage.

EXHIBIT H - EFFECT OF UNAUTHORIZED RICE CAB INCREASES IN 1993

(1) FARM	(2) YIELD PER CO	CAB		OVER(UNDER)PAYMENTS <u>A/</u>										
		(3) PER CO	(4) PER REVIEW <u>B/</u>	(5) 1993	(6) 1994	(7) 1995	(8) 1996	(9) 1997	(10) 1998 <u>C/</u>	(11) 1999 <u>C/</u>	(12) 2000 <u>C/</u>	(13) 2001 <u>C/</u>	(14) 2002 <u>C/</u>	(15) TOTAL 1993-2002
115	5,800	975.5	775.5	\$ 36,935	\$ 37,370	\$ 29,882	\$ 27,268	\$ 26,724	\$ 43,125	\$ 55,610	\$ 25,734	\$ 20,804	\$ 20,114	\$ 323,566
117	5,800	943.0	643.1	55,379	56,054	44,804	40,903	40,086	64,689	83,416	38,602	31,207	30,171	485,311
118	5,433	1,528.6	1,228.6	51,896	52,507	41,986	38,315	37,549	60,595	78,138	36,159	29,232	28,263	454,640
119	5,433	1,686.4	1,186.5	86,471	87,491	69,959	63,843	62,568	100,968	130,198	60,251	48,709	47,093	757,551
Total		5,133.5	3,833.7	\$230,681	\$233,422	\$186,631	\$170,329	\$166,927	\$269,377	\$347,362	\$160,746	\$129,952	\$125,641	\$2,021,068
Total 1993-1995 Overpayments														\$ 650,734
Total 1996-1997 Overpayments														\$ 337,256
Total 1993-1997 Overpayments														\$ 987,990
Total 1998-2002 Overpayments														\$1,033,078

A/ Payments rounded to whole dollars. Payment (per CO) equals ((3) x applicable MPA) rounded to 1 decimal place x (2) x applicable payment rate. Payment per review equals ((4) x applicable maximum payment acres (MPA)) rounded to 1 decimal place x (2) x applicable payment rate.

B/ CAB prior to increase in 1993.

C/ Includes MLA Payments.

D/ Estimated (based on official low estimated payment rate)

EXHIBIT I - EFFECT OF UNAUTHORIZED RICE YIELD INCREASES IN 1992

(1) FAR M	(2) CAB/ CONTRACT ACREAGE PER CO	YIELD (POUNDS/ACRE)		OVER(UNDER)PAYMENTS <u>A/</u>											(16) TOTAL 1992-2002
		(3) PER CO	(4) PER REVIEW <u>B/</u>	(5) 1992	(6) 1993	(7) 1994	(8) 1995	(9) 1996	(10) 1997	(11) 1998 <u>C/</u>	(12) 1999 <u>C/</u>	(13) 2000 <u>D/</u>	(14) 2001 <u>D/</u>	(15) 2002 <u>D/</u>	
80	1,319.1	5,816	3,816	\$94,405	\$84,001	\$84,987	\$67,962	\$62,015	\$60,776	\$98,078	\$126,470	\$58,526	\$47,315	\$45,745	\$830,280
87	546.4	5,238	4,238	19,553	17,397	17,602	14,075	12,844	12,588	20,314	26,194	12,122	9,800	9,475	171,964
Total				\$113,958	\$101,398	\$102,589	\$82,037	\$74,859	\$73,364	\$118,392	\$152,664	\$70,648	\$57,115	\$55,220	\$1,002,244
Total 1992-1995 Overpayments															\$399,982
Total 1996-1997 Overpayments															\$148,223
Total 1992-1997 Overpayments															\$548,205
Total 1998-2002 Overpayments															\$454,039

MPA = Maximum payment acres.

A/ Payments rounded to whole dollars. Payment per CO = ((2) x applicable MPA) rounded to 1 decimal place x (3) x applicable payment rate. Payment per review = ((2) x applicable MPA) rounded to 1 decimal place x (4) x applicable payment rate.

B/ Yield prior to increase in 1992.

C/ Includes MLA payments.

D/ Estimated (based on official low estimated payment rate).

EXHIBIT J - EFFECT OF UNAUTHORIZED UPCN YIELD INCREASES

(1) COUNT	(2) FARM	(3) CONTRACT ACREAGE PER CO	YIELD (POUNDS/ACRE)				OVER(UNDER)PAYMENTS <u>A/</u>								
			(4) PER CO	(5) PER REVIEW <u>B/</u>	DIFFERENCE		(8) 1996	(9) 1997	(10) 1998 <u>C/</u>	(11) 1999 <u>C/</u>	(12) 2000 <u>D/</u>	(13) 2001 <u>D/</u>	(14) 2002 <u>D/</u>	(15) TOTAL 1996-2002	
					(6) PER ACRE	(7) % INCREAS E (6) ÷ (5)									
1	12	130.6	727	438	289	66	\$2,849	\$2,446	\$3,925	\$5,056	\$2,233	\$1,809	\$1,755	\$20,073	
2	20	106.4	727	431	296	69	2,376	2,040	3,275	4,218	1,862	1,510	1,464	16,745	
3	25	174.8	727	424	303	71	3,999	3,434	5,510	7,096	3,134	2,539	2,463	28,175	
4	48	41.0	727	430	297	69	921	791	1,269	1,632	722	585	567	6,487	
5	58	44.2	727	429	298	69	995	854	1,371	1,766	780	632	613	7,011	
6	61	23.2	727	430	297	69	520	446	716	922	407	330	320	3,661	
7	62	20.4	727	395	332	84	510	438	703	906	399	324	314	3,594	
8	64	38.0	727	430	297	69	852	732	1,174	1,512	667	541	524	6,002	
9	82	78.3	727	428	299	70	1,768	1,518	2,437	3,138	1,386	1,123	1,089	12,459	
10	83	241.8	727	446	281	63	5,128	4,403	7,066	9,102	4,019	3,257	3,159	36,134	
11	140	6.9	727	416	311	75	163	140	225	290	128	104	101	1,151	
*12	159	15.6	727	441	286	65	338	290	465	600	265	214	208	2,380	
13	160	31.9	727	446	281	63	676	580	932	1200	530	429	417	4,764	
*14	162	11.4	727	435	292	67	251	216	347	448	197	160	155	1,774	
*15	165	11.5	727	436	291	67	253	217	349	448	199	161	156	1,783	
*16	166	65.1	727	443	284	64	1,395	1,198	1,922	2,476	1,093	885	859	9,828	
*17	173	27.4	727	438	289	66	599	514	824	1,062	469	379	369	4,216	
*18	174	47.0	727	443	284	64	1,009	866	1,391	1,792	791	641	622	7,112	
Total		1,115.5	13,086	7,779	5,307		\$24,602	\$21,123	\$33,901	\$43,664	\$19,281	\$15,623	\$15,155	\$173,349	
Average			727	432	295										
Total 1996 and 1997 Over(Under)Payments														\$45,725	
Total 1996-1998 Over(Under)Payments														\$79,626	
Total 1999-2002 Over(Under)Payments														\$93,723	
Total 1998-2002 Over(Under)Payments														\$127,624	

A/ Payment (per CO) rounded to whole dollars, less payment per review rounded to whole dollars. Payment (per CO) equals ((3) x.85) rounded to 1 decimal place x (4) x applicable payment rate. Payment per review equals ((3) x.85) rounded to 1 decimal place x (5) x applicable payment rate.

B/ Yield prior to increase in 1996.

C/ Includes MLA payments.

D/ Estimated (based on official low estimated payment rate).

* Farms with ties to producer 2 (six farms and \$27,093 in questioned payments).

EXHIBIT K - IRREGULARITIES IN FAILED RBW AND PP RICE CLAIMS FOR 1993 AND 1994

COUNT	FARM	TYPE RICE	NOTED IRREGULARITIES							
			NO RICE HISTORY 1/	INTERJECTED RICE PRODUCER 2/	SOYBEAN S CERTIFIED PRIOR TO RICE	SOYBEAN S WERE INTENDED	PPRBW DISKED 3/	LATE- FILED RICE FORM ASCS-578	LATE-FILED RICE FORM ASCS-574	OTHER
1993										
1	4	PPRBW	✓			<u>A/</u>	✓		✓	
*2	6	PPRBW	✓		✓		✓	✓	✓	
*3	7	PPRBW		✓	✓		✓	✓	✓	
*4	8	PPRBW	✓	✓	✓	<u>A/</u>	✓	✓	✓	
*5	9	PPRBW	✓	✓	✓	<u>A/</u>	✓	✓	✓	
6	13	IPP						✓	✓	✓ <u>E/</u>
		FRBW						✓	<u>B/</u>	
7	14	IPP						<u>F/</u>		
8	21	IPP						<u>F/</u>		
9	28	FRBW		✓					<u>B/</u>	
*10	37	PPRBW	✓	✓		✓	✓	✓	✓	✓ <u>E/</u>
		FRBW	✓	✓		✓			<u>B/</u>	
11	41	IPP	✓	✓				✓ <u>F/</u>	✓	
12	44	IPP						✓ <u>F/</u>		
13	45	IPP						<u>F/</u>		
*14	52	PPRBW	✓	✓	✓		✓	✓	✓	
15	53	IPP						✓	✓	✓ <u>G/</u>
16	55	FRBW						✓		
*17	57	PPRBW	<u>C/</u>	✓		✓	✓	✓	✓	✓ <u>E/</u>
		FRBW	<u>C/</u>	✓		✓			<u>B/</u>	
*18	66	PPRBW	✓	✓			✓	✓	✓	
19	67	IPP			✓			✓	✓	
*20	89	IPP	✓					✓	✓	
*21	91	PPRBW	✓	✓		<u>A/</u>	✓	✓	✓	
		IPP	✓							
*22	92	PPRBW	✓	✓		<u>A/</u>	✓	✓	✓	
*23	94	PPRBW				<u>A/</u>	✓	✓	✓	✓ <u>G/</u>
24	102	IPP						✓ <u>F/</u>		
*25	104	FRBW		✓					<u>B/</u>	

EXHIBIT K - IRREGULARITIES IN FAILED RBW AND PP RICE CLAIMS FOR 1993 AND 1994

COUNT	FARM	TYPE RICE	NOTED IRREGULARITIES							
			NO RICE HISTORY 1/	INTERJECTED RICE PRODUCER 2/	SOYBEAN S CERTIFIED PRIOR TO RICE	SOYBEAN S WERE INTENDED	PPRBW DISKED 3/	LATE- FILED RICE FORM ASCS-578	LATE-FILED RICE FORM ASCS-574	OTHER
26	106	IPP					✓	✓F/		
*27	110	PPRBW	✓	✓		A/	✓	✓	✓	
*28	112	PPRBW				✓	✓	✓	✓	✓ E/ G/
		FRBW		✓				✓	B/	
*29	114	FRBW		✓		✓			B/	
*30	117	FRBW				✓			B/	
*31	118	FRBW		✓		✓			B/	
*32	119	FRBW		✓		✓			B/	
*33	121	PPRBW					✓	✓	✓	✓ E/
		IPP						✓	✓	✓ E/
		FRBW		✓					B/	
Count			12	18	6	7	16	23	20	8
1994										
1	8	FRBW	D/		✓				B/	
2	9	FRBW	D/		✓				B/	
3	37	PPRBW	D/			✓			✓	
4	44	IPP					✓		✓	
5	77	FRBW							ND	
*6	96	FRBW		✓					✓	
*7	129	FRBW		✓					B/	
*8	132	PPRBW		✓		✓				
		IPP								
*9	143	FRBW		✓					B/	
*10	144	FRBW	✓	✓		✓			B/	
*11	145	FRBW		✓		✓			B/	
12	146	IPP	✓							
Count			2	6	2	4	1	0	3	0
Grand Count			14	24	8	11	17	23	23	8

* - Farms with ties to producer 2 (26 farms with interjected rice producers on 22 farms).

EXHIBIT K - IRREGULARITIES IN FAILED RBW AND PP RICE CLAIMS FOR 1993 AND 1994

PP = Prevented Planted

ND = No Data

PPRBW = Prevented Planted RBW

FRBW = Failed RBWIPP = Initial Prevented Planted Rice

- 1/ See exhibit N. Average 3 preceding-year's rice P&CP history = 0.0 acres.
- 2/ The reported failed RBW or PP rice producer did not have an interest in the preceding crop (generally wheat) or in the succeeding crop (generally soybeans) on the rice acreage during the same crop year.
- 3/ Rice was PPRBW and land preparation (per form ASCS-574) included disking, which indicated levees were neither pulled in the fall when the wheat was planted nor in the spring. Rice could not have been planted until after the wheat harvest.
- A/ The operator filed the wheat form ASCS-574 after he certified both the following PP RBW and soybean crops (on form ASCS-578); the form ASCS-574 showed the wheat ground was planted to soybeans at the time the wheat form ASCS-574 was filed.
- B/ We were unable to determine a date of loss; since form ASCS-578 and form ASCS-574 filing deadlines for failed crops were based upon the date of loss, we were unable to determine whether the forms were late-filed.
- C/ Average 3 preceding-year's rice P&CP history was only 89.5 acres, compared with the PPRBW claim of 1,284.9 acres and the FRBW claim of 252.9 acres.
- D/ The 3 preceding-year's history was solely composed of questionable failed and PP RBW acres claimed in 1993.
- E/ The operator certified both PP rice and failed RBW on the farm, i.e., producers were able to plant some rice on the farm. Also, the operator certified and applied for credit on the failed rice in June 1993, but neither certified nor applied for credit on the PP rice until August and July of 1993, respectively.
- F/ The rice was never certified on form ASCS-578. The acreage was shown as grass cover.
- G/ The operator certified both PP rice and initial failed rice on the farm, i.e., producers were able to plant some rice on the farm.

EXHIBIT L - FAILED RBW AND PP RICE THAT RECEIVED DISASTER PAYMENTS

COUNT	FARM	DISASTER PAYMENT ACRES						DISASTER PAYMENTS ON QUESTIONED ACRES	
		(1) GHOST	FAILED OR PP RICE BEHIND SUCCESSFUL WHEAT			(5) INITIAL PP RICE	(6) TOTAL QUESTIONED ACRES (1)+(4)+(5)	TOTAL PAYMENTS	GHOST ACRES ONLY
			(2) FAILED	(3) PP	(4) TOTAL (2)+(3)				
1993									
*1	6	0.0	0.0	33.0	33.0	0.0	33.0	\$ 2,019	\$ 0
*2	7	0.0	0.0	34.5	34.5	0.0	34.5	2,883	0
*3	8	0.0	0.0	36.1	36.1	0.0	36.1	2,134	0
*4	9	0.0	0.0	27.1	27.1	0.0	27.1	1,602	0
5	13	0.0	15.9	0.0	15.9	48.0	63.9	9,847	0
6	28	0.0	205.6	0.0	205.6	0.0	205.6	40,937	0
*7	37	348.7	0.0	781.7	781.7	0.0	1,130.4	118,381	36,521
8	41	0.0	0.0	0.0	0.0	47.5	47.5	2,808	0
9	44	0.0	0.0	0.0	0.0	5.4	5.4	813	0
*10	52	0.0	0.0	147.9	147.9	0.0	147.9	4,512	0
11	53	0.0	0.0	0.0	0.0	14.0	14.0	2,097	0
12	55	0.0	24.0	0.0	24.0	0.0	24.0	3,367	0
*13	57	253.1	0.0	1,284.7	1,284.7	0.0	1,537.8	99,963	16,454
*14	66	0.0	0.0	33.4	33.4	0.0	33.4	1,974	0
15	67	0.0	0.0	0.0	0.0	140.9	140.9	20,216	0
*16	89	0.0	0.0	0.0	0.0	6.9	6.9	320	0
*17	91	0.0	0.0	662.6	662.6	222.0	884.6	46,958	0
*18	92	0.0	0.0	70.0	70.0	0.0	70.0	4,138	0
*19	94	0.0	0.0	33.6	33.6	0.0	33.6	4,475	0
20	102	0.0	0.0	0.0	0.0	60.4	60.4	11,436	0
*21	104	49.3	0.0	0.0	0.0	0.0	49.3	10,376	10,376
22	106	0.0	0.0	0.0	0.0	20.0	20.0	3,335	0
*23	110	0.0	0.0	150.2	150.2	0.0	150.2	7,595	0
*24	112	327.8	0.0	0.0	0.0	0.0	327.8	44,554	44,554
*25	114	162.8	0.0	0.0	0.0	0.0	162.8	12,384	12,384
*26	117	40.0	0.0	0.0	0.0	0.0	40.0	6,748	6,748

EXHIBIT L - FAILED RBW AND PP RICE THAT RECEIVED DISASTER PAYMENTS

COUNT	FARM	DISASTER PAYMENT ACRES						DISASTER PAYMENTS ON QUESTIONED ACRES	
		(1) GHOST	FAILED OR PP RICE BEHIND SUCCESSFUL WHEAT			(5) INITIAL PP RICE	(6) TOTAL QUESTIONED ACRES (1)+(4)+(5)	TOTAL PAYMENTS	GHOST ACRES ONLY
			(2) FAILED	(3) PP	(4) TOTAL (2)+(3)				
*27	118	427.8	0.0	0.0	0.0	0.0	427.8	62,925	62,925
*28	119	271.0	0.0	0.0	0.0	0.0	271.0	32,888	32,888
*29	121	113.2	0.0	9.7	9.7	21.5	A/ 144.4	22,355	17,524
Total		1,993.7	245.5	3,304.5	3550.0	586.6	6,130.3	\$584,040	\$240,374
1994									
*1	96 NP	40.0	0.0	0.0	0.0	0.0	40.0	3,354	3,354
*2	129 NP	203.6	0.0	0.0	0.0	0.0	203.6	13,120	13,120
*3	143 P	178.3	0.0	0.0	0.0	0.0	178.3	16,912	16,912
*4	144 NP	117.0	0.0	0.0	0.0	0.0	117.0	7,478	7,478
*5	145 P	69.9	0.0	0.0	0.0	0.0	69.9	12,412	12,412
Total		608.8	0.0	0.0	0.0	0.0	608.8	\$53,276	\$53,276
Grand Total		2,602.5	245.5	3,304.5	3,550.0	586.6	6,739.1	\$637,316	\$293,650

* Farms with ties to producer 2 (25 farms and \$542,460 in questioned payments).

A/ Disaster payment made on 165.2 acres of which 20.8 acres were initial failed and not questioned (165.2 - 20.8 = 144.4).

**EXHIBIT M - OFFICIAL 1993 AND 1994 RAINFALL DATA
FROM NOAA WEATHER STATIONS IN AND
AROUND JACKSON COUNTY**

WEATHER STATION	ACTUAL RAINFALL IN INCHES				DEPARTURES FROM NORMAL IN INCHES			
	MARCH	APRIL	MAY	JUNE	MARCH	APRIL	MAY	JUNE
1993								
Alicia	M 3.63	4.18	3.77	2.87	NA	-0.41	-1.51	-0.20
Augusta <u>1/</u>	3.36	M 5.53	5.56	4.41	-1.93	NA	0.43	0.39
Batesville	1.46	5.19	6.76	3.44	-3.49	0.75	1.83	0.27
Beedeville	3.58	5.06	4.93	3.33	-1.39	0.23	-0.06	-0.31
Black Rock	3.58	4.65	3.97	4.35	-1.56	0.23	-1.31	1.54
Evening Shade <u>2/</u>	2.46	5.02	7.50	2.78	-2.63	0.76	2.83	-0.54
Jonesboro	4.31	5.72	4.37	2.79	-0.51	0.58	-0.69	-0.26
Lake City	3.45	M 0.0	M 3.50	M 4.00	-1.4	NA	NA	NA
Newport	4.27	4.80	4.81	2.69	-0.92	0.09	-0.16	-1.00
Paragould	4.34	4.92	3.87	3.57	-0.92	-0.25	-1.48	-0.12
Pocahontas	M 2.50	4.08	4.49	8.60	NA	-0.32	-0.76	5.49
Total	30.81	43.62	50.03	38.83	-14.75	1.66	-0.88	5.26
Average	3.42	4.85	5.00	3.88	-1.64	0.18	-0.09	0.53
District No. 3	3.38	4.88	4.81	3.77	-1.78	0.15	-0.43	0.35
1994								
Alicia	4.16	4.59	1.09	6.89	-0.89	0.0	-4.19	3.82
Augusta <u>1/</u>	5.87	5.96	3.28	3.84	0.58	0.94	-1.85	-0.18
Batesville	4.49	3.75	2.77	1.91	-0.46	-0.69	-2.16	-1.26
Beedeville	5.45	3.58	2.94	M 0.0	0.48	-1.25	-2.05	NA
Black Rock	4.76	5.28	1.09	3.72	-0.38	0.86	-4.19	0.91
Evening Shade <u>2/</u>	M 3.29	4.33	1.39	4.73	NA	0.07	-3.28	1.41
Jonesboro	4.01	3.57	1.40	6.58	-0.81	-1.57	-3.66	3.53
Lake City	M 3.60	5.18	1.47	7.22	NA	-0.04	-3.81	3.76
Newport	5.02	5.98	3.10	5.65	-0.17	1.27	-1.87	1.96
Paragould	5.04	4.69	1.14	5.88	-0.22	-0.48	-4.21	2.19

**EXHIBIT M - OFFICIAL 1993 AND 1994 RAINFALL DATA
FROM NOAA WEATHER STATIONS IN AND
AROUND JACKSON COUNTY**

WEATHER STATION	ACTUAL RAINFALL IN INCHES				DEPARTURES FROM NORMAL IN INCHES			
	MARCH	APRIL	MAY	JUNE	MARCH	APRIL	MAY	JUNE
Pocahontas	3.19	4.99	M 0.85	3.56	-2.51	0.59	NA	0.45
Total	41.99	51.90	19.67	49.98	-4.38	-0.30	-31.27	16.59
Average	4.67	4.72	1.97	5.00	-0.49	-0.03	-3.13	1.66
District No. 3	5.18	4.78	2.28	5.49	0.02	0.05	-2.96	2.07

District No. 3 consisted of the counties of White, Jackson, Poinsett, Craighead, Independence, Lawrence, Greene, Mississippi, Clay, and Randolph.

M = Incomplete data for month.
NA = Not applicable.

Totals and averages exclude incomplete (M) and not applicable (NA) data.

1/ Located in NOAA reporting District No. 2 but geographically near Jackson County.

2/ Located in NOAA reporting District No. 6 but geographically near Jackson County.

**EXHIBIT N - RICE HISTORY AND WHEAT RICE ACRES FOR
1993 AND 1994 FARMS WITH FAILED RBW
AND/OR PP RICE**

COUNT	FARM	AVERAGE 3-YEAR RICE P&CP HISTORY 1/	TOTAL CERTIFIED ACRES		
			WHEAT	RICE	RBW
1993 Crop Year					
1	4	0.0	● 126.2	■ 126.2	126.2
2	6	0.0	● 33.0	■ 33.0	33.0
3	7	34.5	● 41.3	■ 41.3	41.3
4	8	0.0	● 36.1	■ 36.1	36.1
5	9	0.0	● 27.1	■ 27.1	27.1
6	13	202.6	217.0	192.5	15.9
7	14	8.0	0.0	<u>A/</u> 6.4	0.0
8	21	28.7	81.0	<u>A/</u> 23.0	0.0
9	28	424.0	358.9	365.5	205.6
10	37	0.0	● 1,130.4	■ 1,130.4	1,130.4
11	41	0.0	0.0	73.3	0.0
12	44	12.9	26.3	<u>A/</u> 10.4	0.0
13	45	21.6	19.7	<u>A/</u> 17.3	0.0
14	52	0.0	● 147.9	■ 147.9	147.9
15	53	205.7	119.3	195.4	0.0
16	55	25.3	42.0	■ 24.0	24.0
17	57	89.5	● 1,537.8	■ 1,537.8	1,537.8
18	66	0.0	● 33.4	■ 33.4	33.4
19	67	47.0	0.0	140.9	0.0
20	89	0.0	0.0	6.9	0.0
21	91	0.0	● 662.6	884.6	662.6
22	92	0.0	● 70.0	■ 70.0	70.0
23	94	54.0	● 33.6	195.5	33.6
24	102	151.0	112.7	<u>A/</u> 120.8	0.0
25	104	51.9	94.7	■ 49.3	49.3

**EXHIBIT N - RICE HISTORY AND WHEAT RICE ACRES FOR
1993 AND 1994 FARMS WITH FAILED RBW
AND/OR PP RICE**

COUNT	FARM	AVERAGE 3-YEAR RICE P&CP HISTORY 1/	TOTAL CERTIFIED ACRES		
			WHEAT	RICE	RBW
26	106	50.0	0.0	<u>A/</u> 40.0	0.0
27	110	0.0	162.8	■ 150.2	150.2
28	112	73.3	391.8	■ 337.8	337.8
29	114	761.3	540.7	723.2	162.8
30	117	943.0	544.2	779.9	40.0
31	118	1,528.6	1,593.3	1,222.9	<u>B/</u> 655.3
32	119	1,686.4	1,877.3	1,602.1	271.0
33	121	36.0	● 122.9	202.5	122.9
Total			10,184.0	10,547.6	<u>B/</u> 5,914.2
1994 Crop Year					
1	8	<u>C/</u> 12.0	● 36.1	■ 36.1	36.1
2	9	<u>C/</u> 9.0	● 27.1	■ 27.1	27.1
3	37	<u>C/</u> 376.8	● 1,130.4	■ 1,130.4	1,130.4
4	44	12.8	29.6	7.4	0.0
5	77	160.4	● 100.0	160.4	100.0
6	96	22.3	● 40.0	■ 40.0	40.0
7	129	90.2	● 203.6	■ 203.6	203.6
8	132	322.6	● 909.9	976.8	909.9
9	143	207.3	231.1	■ 178.3	178.3
10	144	0.0	159.5	209.0	117.0
11	145	69.9	86.3	■ 69.9	69.9
12	146	0.0	0.0	251.6	0.0
Total			2,953.6	3,290.6	2,812.3
Grand Total			13,137.6	13,838.2	<u>B/</u> 8,726.5

**EXHIBIT N - RICE HISTORY AND WHEAT RICE ACRES FOR
1993 AND 1994 FARMS WITH FAILED RBW
AND/OR PP RICE**

- = All wheat was purportedly double cropped with rice.
- = All rice was purportedly double cropped with wheat.

A/ Total rice acreage per form ASCS-574; rice acreage was not certified on form ASCS-578.

B/ Includes 227.5 acres of failed rice on farm 118 which was properly treated as ghost acres by the COC for 1993 for reasons undocumented in the CO files.

C/ History is solely based on questionable acres claimed in 1993.

1/ 3-year's P&CP history for rice on the farm as of the respective certification of acreage by the farm operator.

EXHIBIT O - IRREGULARITIES IN REPORTED RICE INTERESTS

COUNT	FARM	PRODUCER(S) WITH INTEREST IN CROP PER FORM ASCS-578		
		INITIAL (WHEAT) CROP	SECOND (RICE) CROP	FINAL CROP <u>1/</u>
1993 CROP YEAR				
1	7	3	4	3
2	8	5	6	5
3	9	5	6 <u>A/</u>	5
4	28	46, 47, 48	46	46
5	37	4, 8, 13, 19, 33, 34, 35, 37 <u>B/</u>	7, 8, 13, 19, 33, 34, 35, 37 <u>B/</u>	4, 7, 8, 13, 19, 33, 34, 35, 37
6	41	No crop	55 <u>C/</u>	No crop
7	52	11 <u>B/</u>	12	12
8	57	3, 4, 7	3, 4, 7, 9, 10 <u>B/</u>	3, 4, 7, 10
9	66	3	13	3
10	91	5, 14, 15, 16, 17, 18, 29, 39	9, 13, 19 <u>B/</u>	5, 14, 15, 17, 18, 29, 30, 39
11	92	40	9	40
12	104	49	25, 27	25, 27
13	110	5, 22	13	5, 22
14	112	24	24, 25, 27	24, 25, 27
15	114	35	26, 37	26, 37
16	118	4, 13, 20, 34, 42	20, 34, 41, 42	20, 34, 41, 42
17	119	8, 43	42, 43, 44, 45	42, 43
18	121	19, 24	19, 25, 27	19
1994 Crop Year				
1	96	20	56	No crop
2	129	49	55	55
3	132	14, 15, 17, 18, 28, 29	9, 13, 19	28, 29, 30, 31, 32, 57
4	143	36	Corporation 1, []'s [relative to MO]	[]'s [relative to MO]
5	144	9, 36	Corporation 1, []'s [relative to MO]	[]'s [relative to MO]

EXHIBIT O - IRREGULARITIES IN REPORTED RICE INTERESTS

6	145	36	[]'s []	[]'s [relative to MO]
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1/ Soybeans and/or grain sorghum.

A/ The acreage report showed the rice crop belonged to this producer. However, for an undocumented reason the COC paid the rice disaster payment to producer 5.

B/ Final certification data is shown. Initial certifications by the operators were different from the final certifications. The reasons for the changes in certified ownership were not documented.

C/ About 3 months after the end of the crop year, a manual form ASCS-578 was prepared to show producer 55 had 100-percent interest in the rice; the producer had no prior reported interest in the farm for the crop year.

**EXHIBIT P - CERTIFICATION AND APPLICATION DATES FOR
1993 AND 1994 FAILED RBW AND PP RICE AND
FOR OTHER CROPS FARMED ON THE SAME
ACREAGE**

COUNT	FARM	INITIAL CROP 1/			SECOND (QUESTIONED RICE) CROP 2/			FINAL CROP FORM ASCS-578 DATE 3/6/
		FORM ASCS-578 DATE 3/	FORM ASCS-574		RICE STATUS 5/	FORM ASCS-78 DATE 3/	FORM ASCS-574 DATE 4/	
			DATE 4/	INTENDED LAND USE				
1993								
1	4	05/06/93	09/30/93	A/ Soybeans	PP	07/19/93	● 07/19/93	07/19/93
2	6	04/28/93	NA 7/	NA 7/	PP	● 08/05/93	● 07/20/93	■ 06/30/93
3	7	03/24/93	NA 7/	NA 7/	PP	● 08/05/93	● 07/20/93	■ 06/29/93
4	8	04/15/93	09/14/93	A/ Soybeans	PP	● 08/09/93	● 07/20/93	■ 06/29/93
5	9	04/15/93	09/14/93	A/ Soybeans	PP	● 08/05/93	● 07/20/93	■ 06/29/93
6	13	03/05/93	NA 7/	NA 7/	PP/Failed	● B/ 06/01/93	● C/ 06/01/93	09/01/93
7	14	No crop	NA	NA	PP	D/	06/07/93	No crop
8	21	No crop	NA	NA	PP	D/	06/15/93	No crop
9	28	05/24/93	NA 7/	NA 7/	Failed	06/29/93	06/29/93	08/02/93
10	37	04/01/93	04/01/93	Soybeans	PP/Failed	● E/ 06/11/93	● F/ 06/11/93	08/03/93
11	41	No crop	NA	NA	PP	● Q/ 03/25/94	● 03/25/94	No crop
12	44	No crop	NA	NA	PP	● D/	06/15/93	No crop
13	45	No crop	NA	NA	PP	D/	06/01/93	No crop
14	52	04/28/93	NA 7/	NA 7/	PP	● 08/03/93	● 07/20/93	■ 07/01/93
15	53	No crop	NA	NA	PP	● H/ 08/20/93	● I/ 08/20/93	■ 08/03/93
16	55	04/28/93	NA 7/	NA 7/	Failed	● 08/02/93	08/18/93	08/02/93
17	57	04/28/93	03/24/93	Soybeans	PP/Failed	● J/ 06/09/93	● K/ 06/09/93	08/03/93
18	66	03/24/93	NA 7/	NA 7/	PP	● 08/05/93	● 07/20/93	08/05/93
19	67	No crop	NA	NA	PP	● 03/18/94	● 03/18/94	■ 07/08/93
20	89	No crop	NA	NA	PP	● 08/05/93	● 07/20/93	08/05/93
21	91	04/28/93	09/27/93	A/ Soybeans	PP	● 08/09/93	● 07/20/93	08/09/93
22	92	04/21/93	09/22/93	A/ Soybeans	PP	● 08/06/93	● 07/20/93	08/06/93
23	94	04/27/93	09/22/93	A/ Soybeans	PP	● L/ 08/05/93	● M/ 07/20/93	■ 07/01/93
24	102	No crop	NA	NA	PP	● F/	06/04/93	No crop
25	104	03/28/93	03/29/93	Rice, soybeans	Failed	06/01/93	06/01/93	07/01/93

EXHIBIT P - CERTIFICATION AND APPLICATION DATES FOR 1993 AND 1994 FAILED RBW AND PP RICE AND FOR OTHER CROPS FARMED ON THE SAME ACREAGE

COUNT	FARM	INITIAL CROP 1/			SECOND (QUESTIONED RICE) CROP 2/			FINAL CROP FORM ASCS-578 DATE 3/6/
		FORM ASCS-578 DATE 3/	FORM ASCS-574		RICE STATUS 5/	FORM ASCS-78 DATE 3/	FORM ASCS-574 DATE 4/	
			DATE 4/	INTENDED LAND USE				
26	106	No crop	NA	NA	PP	● <u>D/</u>	06/02/93	No crop
27	110	04/22/93	09/22/93	<u>A/</u> Soybeans	PP	● 08/09/93	● 07/20/93	08/09/93
28	112	05/10/93	05/10/93	Rice	PP/Failed	● <u>N/</u> 06/08/93	● <u>O/</u> 06/08/93	07/01/93
29	114	04/22/93	04/21/93	Soybeans	Failed	06/08/93	06/08/93	08/06/93
30	117	04/28/93	04/28/93	Soybeans	Failed	06/08/93	06/08/93	08/09/93
31	118	04/28/93	04/28/93	Soybeans	Failed	06/07/93	06/07/93	08/09/93
32	119	05/12/93	04/28/93	Soybeans	Failed	06/07/93	06/07/93	08/09/93
33	121	05/10/93	05/10/93	Rice	PP/Failed	● <u>P/</u> 06/08/93	● <u>O/</u> 06/08/93	08/09/93
1994								
1	8	04/04/94	NA <u>7/</u>	NA <u>7/</u>	Failed	08/01/94	<u>Q/</u> 08/01/94	■ 07/07/94
2	9	03/10/94	NA <u>7/</u>	NA <u>7/</u>	Failed	08/01/94	<u>Q/</u> 08/01/94	■ 07/07/94
3	37	04/04/94	04/04/94	Soybeans	PP	06/14/94	● 07/06/94	07/12/94
4	44	No crop	NA	NA	PP	07/28/94	● 07/28/94	No crop
5	77	03/10/94	03/10/94	Rice	Failed	07/21/94	ND	No crop
6	96	04/12/94	04/12/94	Rice, soybeans	Low Yield	07/26/94	● 03/13/95	No crop
7	129	04/12/94	04/12/94	Rice, soybeans, grain sorghum	Failed	06/14/94	06/14/94	07/12/94
8	132	03/18/94	04/12/94	Soybeans	PP	06/14/94	06/14/94	07/26/94
9	143	04/04/94	04/04/94	Soybeans	Failed	06/24/94	06/14/94	07/21/94
10	144	04/04/94	04/04/94	Soybeans	Failed	06/14/94	06/14/94	07/14/94
11	145	04/04/94	04/04/94	Soybeans	Failed	06/14/94	06/14/94	07/13/94
12	146	No crop	NA	NA	PP	06/10/94	06/10/94	No crop

EXHIBIT P - CERTIFICATION AND APPLICATION DATES FOR 1993 AND 1994 FAILED RBW AND PP RICE AND FOR OTHER CROPS FARMED ON THE SAME ACREAGE

- = Form was late-filed.
- = PP rice was reported after the final crop was reported on the acreage.
- NA = Not applicable.
- ND = No data available.

- 1/ Failed or PP wheat, except as noted.
- 2/ Rice questioned by OIG. See exhibit L for acreages.
- 3/ The date the applicable crop acreage was first reported on the farm.
- 4/ The date the producer applied for credit on the respective (failed, PP, or low yield) crop.
- 5/ Reported status of questioned rice acreage. Status is either failed, PP, or low yield.
- 6/ Soybeans and/or grain sorghum.
- 7/ Wheat was not reported as failed, PP, or low yield.
- A/ The operator filed the wheat form ASCS-574 after he reported both the following PP RBW and soybean crops (on form ASCS-578); form ASCS-574 shows the wheat ground was planted to soybeans at the time the wheat form ASCS-574 was filed.
- B/ Producer reported initial failed rice (not behind wheat) on June 1, 1993; on September 1, 1993, the producer reported initial PP rice and reported that part of the initial failed rice was actually failed RBW. The initial failed rice is not in question.
- C/ Producer applied for credit for failed rice on June 1, 1993, and for PP rice on September 1, 1993.
- F/ The questioned rice was not reported on form ASCS-578; the affected acreage was reported as a grass cover for conservation use.
- E/ Producer reported failed rice on June 11, 1993, and PP rice on August 3 1993.
- F/ Producer applied for credit for failed rice on June 11, 1993, and for PP rice on July 20, 1993.
- G/ Producer reported initial failed rice (not behind wheat) on June 14, 1993, and PP rice on August 20, 1993. The initial failed rice is not in question.
- H/ Producer applied for credit for initial failed rice (not behind wheat) on June 14, 1993, and for PP rice on August 20, 1993. The initial failed rice is not in question.
- I/ Producer reported failed rice on June 9, 1993, and PP rice on August 3, 1993.
- J/ Producer applied for credit for failed rice on June 9, 1993, and for PP rice on June 20, 1993.
- K/ Producer reported initial failed rice (not behind wheat) on June 7, 1993, and PP rice on August 5, 1993. The initial failed rice is not in question.
- L/ Producer applied for credit for initial failed rice (not behind wheat) on June 7, 1993, and for PP rice on July 20, 1993. The initial failed rice is not in question.
- M/ Producer reported failed rice on June 8, 1993, and PP rice on August 9, 1993.
- N/ Producer applied for credit for failed rice on June 8, 1993, and for PP rice on July 20, 1993.
- O/ Producer reported failed rice on June 8, 1993, and PP rice on August 3, 1993.
- P/ COC disapproved form ASCS-574.
- Q/ The (initial) PP rice was certified on a March 25, 1994, manual form ASCS-578 for disaster purposes only. The acreage was previously certified on a July 26, 1993, automated form ASCS-578 as grass cover.

2EXHIBIT Q - FSA RESPONSE TO THE DRAFT REPORT



United States
Department of
Agriculture

Farm and Foreign
Agricultural
Services

Farm Service
Agency

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TO: Philip Sharp, Chief
Audits, Investigations, State and County Review Branch

FROM: L. W. Mitchell
Deputy Administrator for Farm Programs

SUBJECT: Response to OIG Official Draft - Audit Report 03006-18-Te
Jackson County, Arkansas, County Office Operations

Christie White

The following are the OIG recommendations and FSA responses for the subject audit.

Recommendation 1

Verify that rice CAB's, yields, and payments for farms associated with the county executive director (farms numbered [] for 1994; farms numbered [] for 1995; and farm number [] for 1996 through 2002); with farm reconstitution A20033 involving land sales between husband and wife (parent farm number []; and with the cited corporations involving land sales to family members (farms numbered [] are properly adjusted as part of the corrective action taken on Recommendations 2, 3, and 4.

FSA Response

FSA determined the correct rice CAB's and program payment yields for these and all farms subject to COR and audit reviews in April and May 1999. The corrections were carried forward which resulted in the revision of the Production Flexibility Contracts (PFC) effective for the 1998 through 2002. The contract payment acres and payment yields reflected these corrections. The affected producers were provided written notice of the corrections and revisions along with applicable appeal rights.

Recommendation 2

Determine the amount of crop years 1993 through 1995 deficiency overpayments that resulted from improper CAB and yield adjustments and recover these payments for the 64 farms listed in Exhibits D and E.

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EXHIBIT Q - FSA RESPONSE TO THE DRAFT REPORT

Philip Sharp, Chief
Page 2

FSA Response

We agree with OIG's finding that there were improper CAB and yield adjustments. However, because of the apparent involvement of county office personnel, the decision was previously made by FSA that collection of overpayments determined for the years 1993 through 1995 would not be pursued unless criminal activity is determined by OIG.

Recommendation 3

Obtain refunds of crop years 1996 and 1997 PFC overpayments of \$1,555,706 for the farms identified in columns 8 and 9 of Exhibit D (64 farms).

FSA Response

We agree with OIG's findings of overpayments on these farms. However, because of the apparent involvement of county office personnel in making improper payments, the decision was previously made by FSA that collection of PFC overpayments determined for 1996 through 1997 would not be pursued unless criminal activity is determined by OIG.

Recommendation 4

Reduce the 1993, 1994, and 1995 rice P&CP credit for PP (prevented planted) or failed RBW (rice behind wheat) other than ghost acres, adjust the improper CAB's/contract acreage as applicable, and make the appropriate adjustments of \$335,818 in the PFC payments for the 15 farms listed in Exhibit E. Also recover 1993 through 1995 overpayments for those same farms.

FSA Response

FSA verified and corrected the 1993 through 1995 P&CP for all affected crops on the farms which were the subject of the COR and audit reviews. The corrections and CAB revisions were carried forward to the resultant PFC payment acres. In regard to the recovery of overpayments, FSA determined not to initiate collection unless criminal activity is determined by OIG because of the apparent involvement of county office personnel in making the improper payments.

Recommendation 5

Recover 1993 through 1995 ARP deficiency payments totaling \$650,734 for the four farms listed in Exhibit H. Also, recover 1992 through 1995 ARP deficiency payments totaling \$339,982 for the two farms listed in Exhibit I.

EXHIBIT Q - FSA RESPONSE TO THE DRAFT REPORT

Philip Sharp, Chief
Page 3

FSA Response

See responses for Recommendations 1 through 4.

Recommendation 6

Take administrative action against responsible personnel for unauthorized UPCN (upland cotton) yield increases, questionable approvals of farm reconstitutions and yields, and improper P&CP credit for CAB's.

FSA Response

FSA [] programs were delivered according to procedure. [] the Agency. [] county office. Other personnel were returned to duty in the Jackson County Office.

Recommendation 7

Determine whether the producers on the farms shown in Exhibit L acted in bad faith regarding their reported disaster losses.

FSA Response

We agree with OIG that the reported disaster losses were questionable or erroneous. All acreage credit which was erroneously given based on the reported disaster losses has been corrected. However, FSA will not initiate further review of applications for 1993 and 1994 disaster program benefits unless criminal activity is determined by OIG.

Recommendation 8

Recover 1993 and 1994 disaster program payments of \$637,316 on farms detailed in Exhibit L.

FSA Response

We agree with the OIG findings. However, FSA will not initiate any action to collect known overpayments of disaster program benefits unless criminal activity is determined by OIG. The audit revealed that both the producers and county office personnel erred in the application and approval processes.

EXHIBIT Q - FSA RESPONSE TO THE DRAFT REPORT

Philip Sharp, Chief
Page 4

Recommendation 9

Take appropriate administrative action against the employees and county committee members responsible for improper disaster program benefits being provided to ineligible producers.

FSA Response

FSA has taken administrative actions as outlined in the response to Recommendation 6. Other remedies include the reassignment of program duties and responsibilities, and when determined appropriate, dismissal and termination of Agency employment. The county committee, under the guidance of the acting county executive director and district director, review the appropriate program requirements prior to all decisions. The county committee decisions are to be sufficiently explained and documented in the county committee minutes.

Recommendation 10

Reduce the 1993 P&CP credit for initial PP rice on the 12 farms detailed in Exhibit E and make appropriate CAB and payment adjustments for such acreages regarding 1994 and 1995 acreage reduction and 1996 through 2002 AMTA programs. (OIG quantified the questioned PFC payments under AMTA to be \$186,627.)

FSA Response

FSA has reviewed these farm records associated with these farms. In April and May 1999, FSA corrected the farm records and revised the PFC's effective for 1998 through 2002. No collection action will be initiated regarding the overpayment of payments under the PFC's unless criminal activity is determined by OIG.

Recommendation 11

Take appropriate administrative action against applicable county office personnel for the deficiencies in program administration.

FSA Response

See responses to Recommendations 6 and 9.

EXHIBIT Q - FSA RESPONSE TO THE DRAFT REPORT

Philip Sharp, Chief
Page 5

Recommendation 12

Take appropriate administrative action against applicable State office personnel for inadequate State office oversight.

FSA Response

A complete review will be conducted regarding the performance of the State office personnel identified by this audit as being responsible for the lack of supervision and oversight of the Jackson County Office operations. Personnel actions will be initiated as determined appropriate according to the findings of the review.

There have been two district directors working in Jackson County during the years covered in this audit. Most of the findings were during the time of a former district director. However, FSA will review the status of both district directors and take appropriate administrative action.

Recommendation 13

Take corrective action relative to the 35 checks that have not been negotiated.

FSA Response

We have contacted personnel in the State office and the acting county executive director concerning the status of the referenced checks. To their knowledge, none of these checks remain outstanding and not negotiated.

Recommendation 14

Establish claims for \$85.67 for producer [] and \$1,653.17 for producer [] and complete memorandums of justification for the identified five producers.

FSA Response

We agree with the OIG findings. However, given the circumstances, FSA will not initiate any action to collect these overpayments unless criminal activity is determined by OIG. Similarly, we will not require memorandums of justification for the identified five producers.

EXHIBIT Q - FSA RESPONSE TO THE DRAFT REPORT

Philip Sharp, Chief
Page 6

Recommendation 15

Recover 1996 PFC payments of \$33,667, plus interest, made to a fictitious entity that was created to avoid payment offset and determine whether the producer [] was eligible for any payments [] may have received.

FSA Response

The Arkansas State Office has been instructed to review the program and payment eligibility of this producer and any related entities. If determined appropriate, collection will be initiated.

Recommendation 16

Reconcile the physical files with the automated files to insure that correct payment limitation data is entered into the automated system.

FSA Response

For 1999, new CCC-502's and related Agency forms were submitted by every producer requesting program benefits. This was to insure that the respective payment eligibility and limitation determinations were based on current information. The automated subsidiary and entity files are now reflective of these determinations. The State office assisted in making any determinations that were considered complex, questionable, or were required by appropriate procedure.

ABBREVIATIONS

AMTA	-	Agricultural Market Transition Act
ACOR	-	Arkansas County Operations Reviewer
ARP	-	Acreage Reduction Program
CAB	-	Crop Acreage Base
CAO	-	County Agricultural Official
CCC	-	Commodity Credit Corporation
CFR	-	<u>Code of Federal Regulations</u>
CO	-	County Office
COC	-	County Committee
COR	-	County Operations Reviewer
CU	-	Conserving Uses
FACTA	-	Food, Agriculture, Conservation, and Trade Act of 1990
FSA	-	Farm Service Administration
FY	-	Fiscal Year
HELC	-	Highly Erodible Land Conservation
KCMO	-	Kansas City Management Office
MLA	-	Marketing Loss Assistance
MPA	-	Maximum Payment Acreage
NAD	-	National Appeals Division
NOAA	-	National Oceanic and Atmospheric Administration
OIG	-	Office of Inspector General
P&CP	-	Planted and Considered Planted
PFC	-	Production Flexibility Contract
PP	-	Prevented Planted
PPI	-	Prompt Payment Interest
PT	-	Program Technician
RBW	-	Rice Behind Wheat
RMA	-	Risk Management Agency
SAO	-	State Agricultural Official
SBA	-	Small Business Association
SCOR	-	Special County Operations Reviewer
SED	-	State Executive Director
STC	-	State FSA Committee
STO	-	Arkansas State FSA Office
UPCN	-	Upland Cotton
USDA	-	United States Department of Agriculture
WC	-	Wetland Conservation

FORM NUMBERS AND DESCRIPTIONS

AD-1026	-	Highly Erodible Land Conservation (HELIC) and Wetland Conservation (WC) Certification
ASCS-155	-	Request for Farm Reconstitution
ASCS-324	-	Confidential Statements Regarding Financial Interests and Outside Employment
ASCS-476	-	Notice of Acreage Bases, Yields, Allotments, and/or Quotas
ASCS-480	-	Documenting Corrections for CAB's
ASCS-574	-	Application for Disaster Credit
ASCS-578	-	Report of Acreage
ASCS-658	-	Record of Production and Yield
CCC-184	-	CCC Check
CCC-502	-	Farm Operating Plan for Payment Limitation Review
CCC-503A	-	COC Worksheet for "Actively Engaged in Farming" and "Person" Determinations
FSA-375	-	Transfer of Peanut Quota
FSA-570	-	Waiver of Eligibility for Emergency Assistance

GLOSSARY OF TERMS

Common Ownership		Tracts within a farm that have identical owners are a common ownership.
Farm	-	Comprised of tracts that have in common all of the following elements: operator, cropping practice, labor, equipment, and accounting system.
Feed Grains	-	Barley, corn, grain sorghum, and oats.
Ghost Acres	-	A second crop following a first crop which was not harvested because of PP or failed conditions due to damaging weather or related conditions, where the second crop is not normally planted in a double-cropping situation in the area after the first crop is harvested. Such later crop acreage is not considered planted for P&CP credit, deficiency payments, or eligible for price support. To be considered ghost acres, the crop must be planted on the same acreage as the program crop that failed or was prevented from being planted.
Operator	-	A person or entity who is in general control of the farming operation during the program year.
Producer	-	An individual or entity that is eligible to participate in FSA programs as a participant, applicant, or borrower.
Reconstitution	-	A change in the identity of land by combining or dividing tracts or farms.
Tract	-	A unit of contiguous land that is under one ownership and is operated as a farm or part of a farm.