U.S. Department of Agriculture

Office of Inspector General
Southwest Region

Audit Report

Farm Service Agency
Farm Programs Audit
in a Louisiana Parish

Report No. 03601-42-Te
March 2004

UNITED STATES DEPARTMENT OF AGRICULTURE
OFFICE OF INSPECTOR GENERAL
Southwest Region
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Temple, Texas 76501
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DATE: March 19, 2004

REPLY TO
ATTN OF: 03601-42-Te

SUBJECT: Farm Service Agency Farm Programs Audit in a Louisiana Parish

TO: Willie F. Cooper
State Executive Director
Farm Service Agency
Alexandria, LA

This report presents the results of our audit of the Farm Service Agency Farm Programs Audit in a Louisiana Parish. The Louisiana State Farm Service Agency Office's response to the draft report, dated March 2, 2004, is included in exhibit B with excerpts and the Office of Inspector General's position incorporated into the relevant sections of the report.

Based on the response, management decisions could not be reached on any of the recommendations at this time. Documentation and/or actions needed to reach management decisions for the recommendations are described in the Office of Inspector General position section of the report.

Please furnish the information needed to reach management decisions for the recommendations within 60 days. Please note that Departmental Regulation 1720-1 requires a management decision for all recommendations within a maximum of 6 months from the date of report issuance, and final action to be taken within 1 year of each management decision to preclude being listed in the Department's annual Performance and Accountability Report.

If you have any questions, please call me at 254-743-6565, or have a member of your staff contact Billy Engelke, Assistant Regional Inspector General, at 254-743-6570.

/s/ T. R. Milliken
TIMOTHY R. MILLIKEN
Regional Inspector General
for Audit

Executive Summary

Farm Service Agency Farm Programs Audit in a Louisiana Parish
(Audit Report No. 03601-42-Te)

Results in Brief

This report presents the results of our review of the newly implemented Direct and Counter-Cyclical Program (DCP) and related farm programs in a Louisiana parish (county). Under the Farm Security and Rural Investment Act of 2002 (2002 Act), DCP was authorized and producers were provided options for the calculation of DCP payments. One option was to roll over the crop acreage bases and yields used to calculate the Production Flexibility Contract (PFC) payments authorized under the previous farm bill.

We found that a current Farm Service Agency (FSA) county committee (COC) chairperson misrepresented certain farming interests, including farm ownership, on land with crop acreage bases and yields. The misrepresentations occurred during the 1996 through 2002 PFCs and were perpetuated into the 2002 and 2003 DCP contracts. As of May 14, 2003, the chairperson had received farm program payments totaling $814,355 under the 1996 through 2003 programs.

Another Louisiana producer received farm program benefits for the crop acreage bases on land in which he had no interest. Although the producer had a verbal agreement with the purchaser of the land sold in June 1997, the producer failed to notify the county office of the change in ownership. The producer also failed to follow prescribed procedures for retaining crop acreage bases associated with the sale of cropland. The producer continued to receive both the PFC payments and, once implemented, the DCP payments associated with the crop acreage bases on the sold land. As a result, the producer received excessive farm program benefits totaling $104,035 under the 1997 through 2003 programs.

Recommendations In Brief

We recommend the recovery of 1996 through 2003 farm program benefits totaling $814,355 from the COC chairperson and associated entities. Additionally, we recommend the Louisiana State FSA take administrative sanctions against the chairperson and correct crop acreage bases on applicable land tracts as deemed necessary.

Additionally, we recommend the recovery of 1997 through 2003 farm program payments totaling $104,035 from the Louisiana producer who failed to notify the county office of the land sale. Also, we recommend the county office update the farm program records to reflect current land ownership and determine the proper division of the crop acreage bases.

We recommend administrative action as deemed appropriate for the program technician that failed to update farm records after the change in farm ownership was reported to the county office.

Agency Response

In a letter dated March 2, 2004, the Louisiana State FSA Committee concurred with the recommendations in the report. As administrative actions are taken, the State office will provide Office of Inspector General (OIG) copies of determination letters, documentation showing receivables have been established, and documentation showing other actions have been taken.

OIG Position

We agree with your planned actions. To reach management decisions, we will need the documentation referred to in your response for the applicable administrative actions.

Abbreviations Used in This Report

ARP	Acreage Reduction Program
CFR	Code of Federal Regulations
COC	County Committee
DCP	Direct and Counter-Cyclical Program
FSA	Farm Service Agency
FSN	Farm Serial Number
MLA	Marketing Loss Assistance
OIG	Office of Inspector General
PFC	Production Flexibility Contract
2002 Act	Farm Security and Rural Investment Act of 2002

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Background and Objectives

Background

The Federal Agriculture Improvement and Reform Act of 1996 authorized several important changes to United States farm policy for crop years 1996 through 2002. The most important change was the replacement of deficiency payments, which made up the difference between the market price and a target price under the previous Acreage Reduction Program (ARP), with fixed annual PFC payments for producers of grains and upland cotton. PFC payments were based on historical yields and acreage. They were received whether or not a crop was planted, and did not depend on what crop was planted (except for fruit and vegetable restrictions). This decoupling of payments from production controls was a departure from the earlier ARP, which mandated strict acreage limitations and mandatory acreage idling or set-aside requirements.

The 2002 Act, Public Law 107-171, provided for the continuation of agricultural programs through fiscal year 2007 and set forth DCP payment provisions for crop years 2002 through 2007. DCP payments provide income support to producers of eligible commodities and are based on historically based acreage and yields and do not depend on the current production choices of the farmer.

The 2002 Act authorized not only fixed direct payments for wheat, corn, barley, grain sorghum, oats, upland cotton, and rice (the same crops eligible for PFC payments and same type of payment as the PFC payment), but also included oilseed crops as additional crops eligible for fixed direct payment. Additionally, the 2002 Act authorized counter-cyclical payments for crop years 2002 through 2007 for these same crops. The 2002 Act set a precedent, in that soybeans and other oilseeds are eligible for the same program as wheat, feed grains, cotton, and rice. Peanuts are also eligible for DCP payments.

Objectives

The objectives of this audit were to determine (1) whether participants were eligible for program participation, and (2) whether payments were accurately based on valid acreage and yield determinations.

Findings and Recommendations

Section 1. False and/or Misleading Information

Finding 1 COC Chairperson Misrepresents Land Ownership To Secure Program Benefits

The chairperson of the COC misrepresented the ownership of land and crop acreage bases for program purposes. In order to maximize FSA program benefits, the chairperson intentionally provided false and/or misleading information applicable to farm program participation. As a result, the chairperson and associated entities received farm program benefits totaling $814,355.

PFC regulations provide that, to be eligible to enter into a PFC, the producer must own, share-rent lease, or cash rent the participating farm.[1] The regulations further state that the COC shall approve a contract for enrollment and approve the division of payment when all landowners, tenants, and sharecroppers sign the contract and agree to the payment shares shown on the contract.[2]

In the county for program years 1996 and 1997, the COC chairperson's son and daughter-in-law entered into a FSA-administered PFC on farm serial number (FSN) 1228 with crop acreage bases totaling 668.0 acres. FSA records show the farm was comprised of 7 tracts of land totaling 1,136.9 acres of cropland as shown in Table 1 on the following page. The son lives and farms in another county. Almost 90 percent of the cropland was owned by a family-owned corporation of which the COC chairperson is the president and a stockholder. The remaining acreage was owned by five individuals and one estate.

[1] Title 7, Code of Federal Regulations (CFR), section 1412.202, January 1, 1997, edition.
[2] Title 7, CFR, section 1412.303, January 1, 1997, edition.

FSN 1228 FARM AND TRACT DETAIL LISTING

TRACT NO.	CROPLAND ACRES	RICE BASE ACRES	WHEAT BASE ACRES	OATS BASE ACRES	TOTAL BASE ACRES
417*	6.8	2.8	0.0	0.0	2.8
506	19.7	8.3	0.0	0.0	8.3
507	35.1	14.8	0.0	0.0	14.8
516	23.3	9.8	0.0	0.0	9.8
517	36.1	15.2	0.0	0.0	15.2
522*	293.6	123.5	0.0	0.0	123.5
1447*	722.3	303.6	171.2	18.8	493.6
TOTALS	**1,136.9**	**478.0**	**171.2**	**18.8**	**668.0**

Table 1[3]

*Denotes tracts owned by the corporation.

The son share-rent leased the farm from the corporation at a rate of 33 percent of the PFC payment for the farm's rice base and 10 percent of the payments for both the wheat and oats bases. According to the chairperson's son, he thought all land in the farm was owned by the corporation. The chairperson's son was unaware that several tracts of cropland with rice acreage bases on the farm were not owned by the corporation. The chairperson's son stated that he never leased land from the other landowners. Furthermore, the PFC designates zero shares for these landowners; consequently, these landowners never received either a (share-rent) portion of the PFC payments or a cash-lease payment from the tenant.

Although the 1996 PFC for FSN 1228 listed six landowners other than the corporation, the other landowners listed on the contract did not sign the contract as required by program regulations. On June 18, 1996, the COC reviewed the contract and authorized the County Executive Director payment approval authority after the signatures of all producers were obtained. Even though these signatures were not obtained, the County Executive Director approved the contract for payment on September 26, 1996.

One of the landowners of record that did not sign the contract was the COC chairperson's aunt. The chairperson's aunt was listed as the owner of tract 517. The chairperson had signature authority for his aunt dating back to the 1983 program year; hence, the aunt never appeared in the county office to sign the appropriate documents for participation in farm programs.

[3] Data was obtained from the 1995 program year FSA Report of Acreage (Form FSA 578) and Form AD-1026, and the 1996 program year PFC for FSN 1228.

However, Social Security Administration records identify the aunt as having been deceased since December 1991. After her death, her son inherited the land and subsequently sold the land on September 7, 1993. The chairperson failed to notify the FSA County Office of her death and continued to misrepresent himself as her legal agent. Additionally, the chairperson never notified the county office of the change in land ownership, thereby creating an avenue for the chairperson to continue to include the tract of land in his son's farming interest.
`

On the 1997 contract, there were no reported changes in the payment shares; therefore, the contract rolled over from the previous year without the required signatures. On November 17, 1997, the chairperson of the COC utilized his signature authority for his son and initiated a farm reconstitution of FSN 1228. The reconstitution was a result of the corporation's sale of tract 522. The chairperson, acting in his capacity as president of the corporation, designated the crop acreage base on tract 522 be transferred to tract 1447 on the resulting farm (FSN 1431).

During the reconstitution process, the county office prepared the Abbreviated 156 Farm Record (Form FSA-156EZ) for the parent farm (FSN 1228) identifying only tracts 517, 522, and 1447 on the farm. Subsequently, the resulting FSN 1431 was comprised of tracts 517 and 1447; however, the total crop acreage bases on the farm were unchanged from the original crop acreage bases detailed in Table 1. Tract 417 had been eliminated prior to the 1996 program year and the crop acreage base reduced accordingly. However, the other 3 tracts of land (tracts 506, 507, and 516) had been eliminated from the farm with no loss of crop acreage bases for the farm. These 3 tracts were not owned by the corporation, but the corporation now was utilizing their crop acreage bases. County office personnel were unsure when and why the tracts were deleted. Transaction log analysis determined tract 506 was deleted on August 28, 1997, and tracts 507 and 516 were deleted on September 2, 1997.

For the 1998 through 2002 program years, the chairperson's son and daughter-in-law participated in the PFC with the newly created FSN 1431. The chairperson's son continued to share-rent lease land from the corporation at a rate of 33 percent of the payment for the rice base. However, the chairperson's son remained unaware that his farming interest included land that was not owned by the corporation. The chairperson continued to sign the PFC for his deceased aunt, essentially misrepresenting the legal ownership of the land.

According to the COC chairperson, he was not sure when he was informed of the aunt's death. The chairperson stated that he discussed the September 1993 land sale with one of the two purchasers of the land shortly

after the transaction was final. Although neither the chairperson nor his son leased the land from the new owners, the chairperson stated that the crop acreage bases on the land were combined with the corporation's bases, and the corporation was entitled to the farm program payments attributed to these bases. The COC chairperson went on to say that the bases on the land tracts that had been deleted from his son's farming operation were also combined with the corporation's bases, and all the landowners were aware that the chairperson was benefiting financially from the landowners' crop acreage bases. However, our review disclosed that at least one of the landowners had no knowledge that the COC chairperson's son had included this owner's land in the farming operation and was benefiting financially from the situation. Two other landowners stated that they did not realize there was crop acreage base on their land, as they thought their mother had sold the base to the COC chairperson years ago.

Having served on the county committee for 18 consecutive years, the COC chairperson should have known the signature authority granted with a power of attorney ceases upon the death of either the grantor or the grantee. Additionally, county committee members have the responsibility to review documents filed by producers for accuracy and reasonableness prior to FSA farm program participation. In those instances where the documentation is inaccurate or incomplete, it is incumbent upon the committee to require clarification and/or additional information. With the responsibility of annually reviewing PFC contracts, farm plans, acreage certifications, farm reconstitutions, etc., the chairperson was aware that landowners and land tracts had been removed from his son's farming operation without a reduction of crop acreage bases. The chairperson should have recognized the deletion of land tracts during the farm reconstitution he initiated in November 1997.

Acting on behalf of the corporation in his legal capacity as the president, the COC chairperson disregarded program procedures and failed to notify the county office that land included in his son's farming interest was neither owned nor leased by the son. Knowledge of program regulations and procedures is paramount in the performance of the duties of the COC. Considering the farm program knowledge county committee members must have to perform their duties, committee members should be held to a higher standard, especially when it applies to compliance with program regulations and procedures. The COC chairperson disregarded his duties and benefited financially from his continued misrepresentation of facts surrounding the corporation's land and crop acreage bases. PFC regulations provide that any producer who has knowingly misrepresented any fact affecting a program determination shall refund all payments, plus interest, received by the

producer, with respect to all contracts. The producer's interest in all contracts shall be terminated.[4]

The family-owned corporation for which the chairperson serves as president received 1996 through 2002 PFC and marketing loss assistance (MLA) payments totaling $410,387. Also, the chairperson, farming as a 100-percent shareholder in another corporation, received 1996 through 2002 PFC and MLA payments totaling $343,207. In addition, the chairperson received 1996 through 2002 PFC and MLA payments totaling $52,997 as a member of a partnership. Based on the chairperson's intentional misrepresentation of land ownership during the 1996 through 2002 program years, PFC and MLA payments totaling $806,591 ($410,387 + $343,207 + $52,997) should be refunded.

The 2002 Act provided for the DCP. The DCP provided for payments to producers based on crop acreage bases and yields. Like the PFC, the DCP regulations provide that, to be eligible to enter into a contract, the producer must own, share-rent lease, or cash rent the participating farm.[5] As with the PFC, the COC chairperson's son and daughter-in-law participated in the DCP for program years 2002 and 2003 as the producers on FSN 1431. As in the later years of the PFC, the chairperson's son share-rent leased the corporation's land at a rate of 33 percent of the payment for the rice base. The DCP regulations provided the owner(s) on the farm the opportunity to select the method to establish the base acres and yields for all covered commodities on the farm.[6]

The COC chairperson, acting in his capacity as president of the corporation, made the election to roll over the PFC base and yield on FSN 1431. In addition, the chairperson informed the county office that land previously reported as owned by his aunt was now owned by a timber company. Based on the COC chairperson's notification, the county office updated the records to include the timber company as a landowner on FSN 1431. However, the chairperson failed to notify the county office that there was a third landowner on FSN 1431 that should have been included in the base and yield election process. This landowner was not aware that his land and crop acreage base were enrolled in the DCP and that the base and election had already been determined.

Additionally, the chairperson continued to perpetuate the overstatement of crop acreage bases on the corporation's land, as it included base on land that he neither owned nor leased. The son remained unaware that a portion of the rice base actually belonged to landowners other than the corporation.

[4] Title 7, CFR, section 1412.405, January 1, 1997, edition.
[5] Title 7, CFR, section 1412.402, dated October 21, 2002.
[6] Title 7, CFR, section 1412.402, dated October 21, 2002.

These landowners were not only excluded from the base and yield election process, but also failed to receive program benefits for their crop acreage bases.

As previously mentioned, the COC chairperson stated that the corporation's crop acreage bases had been combined with the base on those tracts included in the farming interest for several years. The chairperson acknowledged that he neither owned nor leased the property; however, he contended the landowners were aware that he was financially benefiting from their crop acreage bases. He went on to state that the landowners approved of the arrangement. However, based on our interviews with landowners, it was apparent that the landowners were unaware that the crop acreage bases were still attributed to their land tracts.

Based on the COC chairperson's continued misrepresentation of the land ownership, the COC approved the base and yield election on FSN 1431 without the required landowner signatures. Subsequently, the program contract was approved with the chairperson's son, daughter-in-law, and the corporation sharing the payments. The landowner that had been omitted from the base and yield selection was also excluded from the payment process. In addition, the chairperson's failure to report the overstated crop acreage base on the corporation's land resulted in program year 2002 overpayments on the farm. As of May 14, 2003, the corporation had received $7,764 for the DCP contract on FSN 1431. This DCP contract should be determined invalid, and all resulting payments to the corporation should be recovered.

Recommendation No. 1

Recover improper program payments totaling $814,355 (1996 through 2002 PFC payments and MLA payments totaling $806,591, and 2002 DCP payments totaling $7,764).

Agency Response.

The State Committee concurs with this recommendation. As administrative actions are taken, OIG will be provided copies of determination letters, and documentation showing receivables have been established.

OIG Position.

We agree with the planned action. To reach management decision, we will need the documentations as described in your response.

Recommendation No. 2

Take appropriate administrative sanctions on the improper actions of the chairperson of the FSA COC.

Agency Response.

The State Committee concurs with this recommendation. As administrative actions are taken, OIG will be provided documentation.

OIG Position.

We agree with the planned action. To reach management decision, we will need documentation of FSA's administrative sanctions taken against the chairperson of the COC.

Recommendation No. 3

Take administrative action to correct the crop acreage bases on all tracts of land deleted from FSN 1228/1431, and notify owners of their potential eligibility in the DCP.

Agency Response.

The State Committee concurs with this recommendation. As administrative actions are taken, OIG will be provided documentation.

OIG Position.

We agree with the planned action. To reach management decision, we will need documentation showing that crop acreage bases on all tracts of land deleted from FSN 1228/1431 have been corrected and owners have been notified of their potential eligibility in the DCP.

Finding 2 Producer Received Program Benefits For Crop Base On Land Previously Sold

For the 1997 through 2003 crop years, a Louisiana producer received farm program benefits on land in which he had no interest. The producer sold the land in 1997 and failed to notify the FSA County Office of the change in ownership. As a result, the producer received excessive farm program benefits totaling $104,035.

As previously stated, PFC regulations provide that, to be eligible to enter into a PFC, the producer must own, share lease, or cash rent the participating farm.[7] The regulations further stated that a person may succeed to the contract if there has been a change in ownership of the land. The producer must inform the COC of changes in interest 30 days after the change is made on the farm, but no later than September 30 if a new producer is being added to the contract.[8] Additionally, a producer who is determined to have erroneously represented any fact affecting a program determination shall not be entitled to contract payments and must refund all payments, plus interest.[9]

For the 1996 and 1997 program years, the producer and his wife entered into PFCs as owners/producers on FSNs 639 and 1349 with total crop acreage bases of 57.8 and 99.9 acres, respectively. On June 9, 1997, the producer sold FSN 1349, subject to a verbal agreement with the purchaser that the producer would retain the crop acreage bases on the farm.

On November 12, 1997, 5 months after FSN 1349 was sold, the producer initiated a farm reconstitution to combine FSNs 639 and 1349. According to the producer, the reconstitution was initiated for the sole purpose of retaining the crop acreage bases on FSN 1349. However, the producer failed to inform the county office that he no longer owned FSN 1349, as required by program regulations. The COC, without knowledge of the sale, approved the farm reconstitution, combining the two farms into FSN 1414, with total crop acreage bases of 157.7 acres.

The producer annually certified the acreage on the FSA Report of Acreage (Form FSA-578) as the sole owner of FSN 1414 for the 1998 through 2002 program years. Continuing to present himself as the sole owner of the farm, the producer received 100 percent of the PFC and MLA payments, totaling $93,358 during this period, even though he no longer owned or leased the tract of land (formerly FSN 1349) that contributed 63 percent of the overall crop acreage bases on the combined farm.

[7] Title 7, CFR, section 1412.202, January 1, 1997, edition.
[8] Title 7, CFR, section 1412.207, January 1, 1997, edition.
[9] Title 7, CFR, section 1412.405, January 1, 1997, edition.

According to the producer, lack of knowledge of FSA program regulations and procedures was the contributing factor in the violations associated with FSN 1414. The producer stated that he had no prior knowledge of farm reconstitutions or PFC procedures. Although the producer admits to never notifying the county office of the land sale, he contends there was a verbal agreement with the purchaser for the producer to retain the crop acreage bases on the land sold. The purchaser of the land confirmed the verbal agreement was in place prior to the transaction. However, there are no PFC provisions for a person to retain crop acreage base separate from the land to which the base is attributed.

On February 9, 2001, the producer and the current owner of the farm previously recognized by FSA as FSN 1349 (currently a part of FSN 1414 per FSA records), applied for the 2000 Livestock Assistance Program. During the Livestock Assistance Program application process, the current owner informed the county office of the change in ownership of the portion of FSN 1414 that was previously FSN 1349. However, the program technician failed to make the necessary updates of FSA records. Instead, the program technician documented the current owner as leasing the land from the producer, thereby allowing the current owner eligibility in the Livestock Assistance Program without affecting the producer's PFC payments. According to the program technician, after the Livestock Assistance Program application process was completed, the ownership issue was forgotten.

The county office's failure to properly update the records contributed in the producer's ability to continue presenting himself as the sole owner/producer on FSN 1414 for participation in the DCP provided for in the 2002 Act. The DCP regulations provided the owner(s) on the farm the opportunity to select the method to establish the base acres and yields for all covered commodities on the farm.[10] Contrary to these regulations, on November 4, 2002, the producer signed the Direct and Counter-Cyclical Program Base and Yield Election (form CCC-515) for FSN 1414, thereby selecting the method of base and yield establishment on land in which the producer had no interest. Subsequently, the producer signed the contracts to participate in both the 2002 and 2003 program years, even though he did not own or lease the land with the majority of the crop acreage bases. As of June 17, 2003, the producer had received program year 2002 DCP payments and program year 2003 direct payments for FSN 1414 totaling $10,677.

[10] Title 7, CFR, section 1412.402, dated October 21, 2002.

Recommendation No. 4

Recover program years 1997 through 2002 PFC and MLA payments, plus program years 2002 and 2003 DCP payments, totaling $104,035 [$93,358 (1997-2002 PFC and MLA) + $10,677 (2002-2003 DCP)].

Agency Response.

The State Committee concurs with this recommendation. As administrative actions are taken, OIG will be provided copies of determination letters, and documentation showing receivables have been established.

OIG Position.

We agree with the planned action. To reach management decision, we will need the documentation referred to in your response.

Recommendation No. 5

Update FSA County Office records to reflect current land ownership of FSN 1414. Determine whether a farm reconstitution is appropriate to divide FSN 1414, and determine the proper division of the crop acreage bases.

Agency Response.

The State Committee concurs with this recommendation. As administrative actions are taken, OIG will be provided documentation.

OIG Position.

We agree with the planned action. To reach management decision, we will need the documentation showing that the land ownership has been updated, and determinations concerning a farm reconstitution and proper division of the crop acreage bases have been made.

Recommendation No. 6

Take administrative action as deemed appropriate in the case of the program technician who did not correct the farm records when the change in farm ownership was brought to the technician's attention. At a minimum, the technician's supervisor should review with the technician procedures for updating farm records.

Agency Response.

The State Committee concurs with this recommendation. As administrative actions are taken, OIG will be provided documentation.

OIG Position.

We agree with the planned action. To reach management decision, we will need the documentation showing the administrative action taken against the program technician.

Scope and Methodology

We initiated an audit of farm program participation in Louisiana to determine producer eligibility and the validity and accuracy of DCP payments under the 2002 Act. The scope of our review was 2002 and 2003 DCP participation, but we included prior year PFC participation as deemed necessary to achieve the audit objectives. Fieldwork was performed from February through October 2003.

The State and county selected for review was based on OIG knowledge of previously reported farm program irregularities in this parish. This potential program abuse could have an adverse impact on the integrity of farm program administration in Louisiana. As of February 25, 2003, Louisiana producers had received $109,793,648 in 2002 and 2003 DCP payments. Our review was conducted in a county with 2002 and 2003 DCP payments totaling $2,344,885 during this same period.

Our review included 7 producers on 20 farms that participated in DCP for program years 2002 and 2003. We judgmentally selected producers for review based on large total dollar amounts of payments and included current county committee members in our sample. As of February 25, 2003, our sample producers had received DCP payments totaling $220,287.

To accomplish the audit objectives, we evaluated State office controls and analyzed State, county, and producer payment data from the Louisiana State FSA. We reviewed farm records of selected producers, focusing on DCP requirements. We also reviewed records associated with producer participation in the PFCs in cases where the landowners elected to roll over the crop acreage bases and yields into the DCP. We interviewed sample producers and landowners, as deemed necessary, to verify farm records, and county office personnel provided insight and clarification during the review process.

We conducted this audit in accordance with the Government Auditing Standards issued by the Comptroller General of the United States. Accordingly, the audit included such tests of program records as considered necessary to meet the audit objectives.

Exhibit A – Summary of Monetary Results

FINDING NUMBER	RECOMMENDATION NUMBER	DESCRIPTION	AMOUNT	CATEGORY
1	1	COC Chairperson Misrepresents Land Ownership To Secure Program Benefits	$ 814,355	Questioned Costs, Recovery Recommended
2	4	Producer Received Program Benefits For Crop Base On Land Previously Sold	104,035	Questioned Costs, Recovery Recommended
TOTAL			**$ 918,390**	

Exhibit B– Agency Response

United States Department of Agriculture

Farm and Foreign Agricultural Services

Farm Service Agency

Louisiana State FSA Office
3737 Government St
Alexandria, LA
71302-3395

DATE: March 2, 2004

TO: Timothy R. Milliken
Regional Inspector General for Audit

FROM: State Executive Director
Louisiana State FSA Office

SUBJECT: Report No. 03601-42-TE

The Louisiana State Committee, at its meeting of February 11, 2004, reviewed subject audit and provides the following responses:

Finding 1 COC Chairperson Misrepresents Land Ownership to Secure Program Benefits

Recommendation No. 1

The State Committee concurs with this recommendation.

Recommendation No. 2

The State Committee concurs with this recommendation.

Recommendation No. 3

The State Committee concurs with this recommendation.

Finding 2 Producer Received Program Benefits for Crop Base on Land Previously Sold

Recommendation No. 4

The State Committee concurs with this recommendation.

Recommendation No. 5

The State Committee concurs with this recommendation.

Recommendation No. 6

The State Committee concurs with this recommendation.

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Timothy R. Milliken
March 2, 2004

As administrative actions are taken, your office will be provided copies of determination letters, documentation showing receivables have been established, etc. documenting actions have been taken.

cc: Mike McCann, Director Operations Review & Analysis Staff