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Office of Inspector General
Great Plains Region

Audit Report

Farm Service Agency Hurricane Relief Initiatives: Emergency Forestry Conservation Reserve Program

Report No. 03601-24-KC
September 2008



UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF INSPECTOR GENERAL

Washington, D.C. 20250



DATE: September 17, 2008

REPLY TO

ATTN OF: 03601-24-KC

TO: Teresa C. Lasseter
Administrator
Farm Service Agency

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

FROM: Robert W. Young /s/
Assistant Inspector General
for Audit

SUBJECT: Emergency Forestry Conservation Reserve Program

This report presents the results of our review of the Farm Service Agency's controls over the Hurricane Relief Initiatives: Emergency Forestry Conservation Reserve Program. Your response to the official draft, dated September 2, 2008, is included as exhibit C. Excerpts of your response and the Office of Inspector General's position are incorporated into the Findings and Recommendations section of the report. Based on your response, we were able to reach management decision on all of the report's six recommendations. Please follow your agency's internal procedures in forwarding documentation for final action to the Office of the Chief Financial Officer.

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

Executive Summary

Farm Service Agency Hurricane Relief Initiatives: Emergency Forestry Conservation Reserve Program (Audit Report 03601-24-KC)

Results in Brief

Following hurricanes Dennis, Katrina, Ophelia, Rita, and Wilma in 2005, the U.S. Department of Agriculture's Farm Service Agency (FSA) carried out an emergency pilot program to restore and enhance private non-industrial forestland damaged as a result of the hurricanes. This program, known as the Emergency Forestry Conservation Reserve Program (EFCRP), allocated \$504.1 million to help such producers in Alabama, Florida, Louisiana, Mississippi, North Carolina, and Texas. In exchange for cost-share assistance as well as either a lump sum payment or annual rental payments, EFCRP participants agree to place their land under contract for 10 years. The Office of Inspector General (OIG) initiated this audit to assess FSA's implementation and administration of EFCRP. Specifically, we performed this review to evaluate the effectiveness of program delivery and the adequacy of its management controls over the selection and funding of offers¹ and the eligibility of producers and land. We also planned to assess compliance with contract provisions, but we conducted our review during signup, and the contracts were not yet completed. Also, FSA had not implemented its procedures for reviewing compliance.

In January 2007, 1,440 offers consisting of 180,176 acres had been accepted into the EFCRP. The contracts associated with these offers represent about \$53 million to be paid in annual rental payments. Of the 1,440 accepted offers, we reviewed 55 offers with payments to be made, totaling about \$2.6 million. These offers and acres were located in Alabama, Mississippi, and Texas.

While evaluating the effectiveness of FSA's program delivery, we found that it did not correctly and consistently determine EFCRP eligibility. At the time of our site visits, payments had not yet been made. Our review of 55 offers identified potential overpayments of \$814,430 for 11 offers. (Of the \$814,430 potential overpayments that we identified, FSA corrected payments by \$655,520 during our fieldwork.) Unclear procedures and terminology led to incorrect or questionable determinations on 4 of these 11, totaling \$129,540 of the potential overpayments found. On one of these four offers, we found the applicants were two entities whose five members owned part of a sawmill and were allowed to enroll their land in EFCRP even though program guidelines do not permit owners principally engaged in the primary processing of raw wood products to participate. Because the guidelines do not specify what it means to be principally engaged in the primary processing of

¹ Producers will offer entire tracts of forestland for participation in EFCRP. Foresters will then evaluate the offered property, and FSA will select the best offers for development of both a conservation plan and contract.

raw wood products, and because each member owned 25 percent or less of the sawmill, FSA approved \$86,080 in payments to these applicants.² Under the same guidelines, the same entities were determined not eligible for the program when they applied for EFCRP on a tract of land located in another State.

In other cases, State officials processed offers differently than their counterparts in other States. For example, Alabama, Mississippi, and Texas State forestry agency officials, whom FSA relied on for technical assistance, used different methods to calculate the value of damaged trees. Each method resulted in different loss percentages. FSA procedures did not specify a method for calculating the value of damaged trees. Therefore, eligibility determinations for individual offers were processed differently, based on the location of the producer's land. We also concluded that another aspect of the State forestry agencies' methodology resulted in overestimation of damage from eligible hurricanes. Rather than using the best evidence available to determine the value losses of individual producers, State forestry agency personnel assigned 100 percent damage to offered acres that had been clear-cut prior to their evaluation. This methodology would have affected the rankings if the agency had used the Benefits Index³ to rank the offers, because producers with 100 percent damage would receive more points within the Benefits Index than someone with less damage. We also found that some Benefits Index terminology was not defined clearly enough to ensure consistent treatment of offers. Although FSA did not need to use the Benefits Index for EFCRP, it has relied on it for prior programs and it will continue to be used in the future.

To meet legislatively prescribed program deadlines, the agency worked swiftly to implement EFCRP. However, FSA did not require second party or supervisory reviews for this program, which would likely have exposed errors or irregularities found on seven (\$684,890 of the \$814,690) offers.

At the time contracts were signed in December 2006, final conservation plans had not been drafted for all contracts as required by program guidelines. Consequently, in August and September 2007, we followed up and reviewed six final conservation plans which showed the practices required to restore the economic value of the forest land. We also confirmed with FSA Mississippi State officials that all required plans were customized to the land offered. Therefore, we are not recommending additional corrective actions.

The audit was conducted in conjunction with the President's Council on Integrity and Efficiency (PCIE) as part of its examination of the Federal

² Corporations whose stocks are publicly traded or owners or lessees principally engaged in the primary processing of raw wood products are excluded from EFCRP.

³ FSA will select producers for enrollment using the Benefits Index to rank offers by assigning points, based on the offered land's potential contribution to preventing soil erosion, improving water quality, enhancing wildlife habitat, and mitigating economic losses caused by the 2005 hurricanes.

Government's relief efforts in the aftermath of Hurricanes Katrina and Rita. As such, a copy of this report will be forwarded to the PCIE Homeland Security Working Group, which is coordinating Inspector General reviews of this important subject.

**Recommendations
In Brief**

For future EFCRP signups, FSA should clarify guidelines and terminology currently subject to interpretation by the agency's State and county employees and State forestry agency personnel. Additionally, FSA should require second party reviews or supervisory reviews to ensure offers are eligible before accepting EFCRP contracts. Finally, FSA should review all questionable EFCRP offers not corrected as a result of our review, and determine and take appropriate corrective action.

FSA Response

FSA agreed with the recommendations in the report. We have incorporated FSA's response into the Findings and Recommendations section of the report. The response to the draft report, dated September 2, 2008, is included as exhibit C.

OIG Position

Based on FSA's response, we accept management decision on all six of the report's recommendations.

Abbreviations Used in This Report

2005 Hurricanes	2005 Hurricanes Katrina, Ophelia, Rita, Dennis, and Wilma
2006 Act	2006 Emergency Appropriations Act
CCC	Commodity Credit Corporation
CRP	Conservation Reserve Program
EFCRP	Emergency Forestry Conservation Reserve Program
FSA	Farm Service Agency
OIG	Office of Inspector General
PCIE	President's Council on Integrity and Efficiency
USDA	Department of Agriculture

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Background and Objectives

Background

As part of the Department of Agriculture (USDA), the Farm Service Agency (FSA) assists producers whose land has been damaged by natural disasters, such as hurricanes. In addition, FSA helps protect America's natural resources through a variety of conservation programs, including the Conservation Reserve Program (CRP). CRP provides annual rental payments and cost-share assistance to landowners or operators⁴ who establish approved conservation practices that reduce erosion, improve water quality, and increase wildlife populations.

In 2005, Hurricanes Katrina, Ophelia, Rita, Dennis, and Wilma (2005 hurricanes) struck the Atlantic and Gulf Coast regions of the United States. Initial estimates showed that the 2005 hurricanes damaged more than 4 million acres of timber in Alabama, Florida, Louisiana, Mississippi, and Texas. In response, the Emergency Forestry Conservation Reserve Program (EFCRP) was enacted on December 30, 2005, under the "2006 Emergency Appropriations Act" (2006 Act).⁵ Generally, the 2006 Act amended the "Food Security Act of 1985"⁶ to authorize EFCRP to enroll certain private non-industrial forestland that experienced a loss of 35 percent or more of merchantable timber in the States suffering forestry damage directly related to the 2005 hurricanes. This emphasis on forestland timber is in contrast to the broader CRP which targets certain cropland and marginal pastureland for restoration and enhancement.

EFCRP was allocated \$504.1 million to help producers begin the process of restoring and enhancing their forestland damaged by the hurricanes.⁷ When evaluating land for EFCRP, FSA was to rank the land based on potential contribution to preventing soil erosion, improving water quality, enhancing wildlife habitat, and mitigating economic losses caused by the 2005 hurricanes.

EFCRP provided funds to 261 counties in Alabama, Florida, Louisiana, Mississippi, North Carolina, and Texas that the President or Secretary designated as hurricane disaster counties.⁸ In order to receive assistance through EFCRP, producers must own or operate private non-industrial forestland that experienced a loss of 35 percent or more of merchantable timber as a direct result of the 2005 hurricanes. Merchantable timber is defined in the 2006 Act as timber on private non-industrial forestland on which the

⁴ Operators must have controlled the land for 12 months prior to signup and must control the property for the entire contract period, according to *FSA Handbook 2-CRP* (Revision 4), subparagraph 82 C, dated July 17, 2006.

⁵ Division B of Public Law 109-148.

⁶ Public Law 99-198.

⁷ The 2006 Act appropriated \$404.1 million for EFCRP, with an additional \$100 million authorized June 15, 2006, under the "Emergency Agricultural Disaster Assistance Act of 2006" (Title III of Public Law 109-234).

⁸ North Carolina was included in the program because it had Secretarial or Presidential declared disaster counties due to Hurricane Ophelia; however, there were no applications for this program in North Carolina.

average tree has a trunk diameter of at least 6 inches when measured at least 4½ feet above the ground.

EFCRP sign-up began at local FSA offices on July 17, 2006, and ended on October 20, 2006. Producers submitted offers to enroll forestland damaged by the 2005 hurricanes in EFCRP. FSA contracted with State forestry agencies who performed site visits to offered tracts.⁹ On each tract, the forester evaluated the environmental benefits that might be obtained through enrollment in EFCRP and performed an evaluation of the timber stand by selecting random plots and determining the timber values before and after the hurricanes.¹⁰ Timber values prior to the hurricane were generally determined by assuming all trees were undamaged, and post hurricane values were generally determined by subtracting the estimated value of remaining undamaged trees from the estimated value prior to the hurricanes. State foresters also determined whether land offered contained merchantable timber and whether it was private non-industrial forestland.

After foresters completed their evaluations, FSA had planned to select eligible offers for enrollment based on a Benefits Index to be used in ranking offers. The Benefits Index assigned points which reflected potential contributions to preventing soil erosion, improving water quality, enhancing wildlife habitat, and mitigating economic losses caused by the 2005 hurricanes. During three designated ranking periods, FSA was to use the Benefits Index to rank and determine acceptable offers. However, FSA did not have to use the Benefits Index rankings to select properties for EFCRP, because the program had sufficient funds for FSA to accept all eligible offers.

Producers who agree to enroll their acreage in EFCRP receive two types of payments. They receive up to 50 percent cost-share assistance for activities like preparing sites and replanting tree stands. In addition, they may choose to receive either 10 years of annual rental payments or one lump sum rental payment in return for meeting the requirements of their conservation plan. A conservation plan, which State foresters develop with input from producers, is a mandatory component of the 10-year EFCRP contract. The plan may include requirements to restore land through site preparation and the planting of tree species similar to those that existed on the land prior to the hurricane.

As of January 10, 2007, 1,440 offers on 180,176 acres had been accepted into the program. These contracts represent about \$53 million in total annual rental payments.

Objectives

We performed the review to evaluate the effectiveness of program delivery and the adequacy of FSA's management controls related to the selection and funding of offers and the eligibility of producers and land.

⁹ The U.S. Forest Service coordinated the process the State forestry agencies used to evaluate the offered land.

¹⁰ The evaluation included the identification of water sources, the presence of or potential for erosion, and potential benefits to wildlife.

Findings and Recommendations

Section 1 Eligibility Determinations

As part of the initiative to mitigate the economic losses suffered by producers in hurricane damaged areas, FSA implemented EFCRP. However, we found eligibility was not always correctly and consistently determined. Of the 55 EFCRP offers reviewed, we found that FSA county officials and State forestry agencies made incorrect or questionable determinations on the eligibility of land or producers associated with 11 offers (20 percent).

- Four of these incorrect or questionable determinations occurred because the agency's procedures did not provide clear eligibility guidelines.
- Seven other incorrect or questionable determinations occurred because FSA did not implement adequate controls, such as second party or supervisory reviews, over eligibility determinations.

FSA considered offers acceptable even though producers or land associated with these offers did not meet eligibility requirements.¹¹ Without corrective action by agency personnel as the result of our fieldwork, producers associated with the 11 offers would have been overpaid a total of \$814,430 (see exhibit A). (Of the \$814,430 potential overpayments that we identified, FSA took corrective actions to reduce payments by \$655,520 while we were performing fieldwork.)

EFCRP signup began July 17, 2006, on which date FSA also published its amended CRP procedures to provide instructions for EFCRP.¹² EFCRP signup ended on October 20, 2006, and FSA personnel were charged with processing EFCRP offers timely to meet the legislated program deadline of December 31, 2006. Basic program eligibility was based on whether producers with private non-industrial forestland had at least a 35 percent loss in value of merchantable timber due to an eligible hurricane.

Finding 1

FSA EFCRP Procedures for Eligibility Were Unclear

We found that four offers with incorrect or questionable eligibility determinations occurred, in part, due to ambiguity in FSA's procedures for administering the program. We identified \$129,540 of incorrect or questionable payments that occurred due to these ambiguities.

¹¹ At the time of our review, four offers included some ineligible acres (see Producers A, C, H, K for specific explanations); four offers were ineligible as offered (see Producers E, F, G, I for specific explanations); the eligibility of one producer was questionable (Producer D), and the foresters determined two offers did not have 35 percent damage when they re-evaluated the tract after OIG's field visits (Producers B, J). See exhibit B.

¹² See *FSA Handbook 2-CRP* (Rev. 4), "Agricultural Conservation Program," Part 6, Section 5, added by Amendment 8, dated July 17, 2006.

Controls Were Not Adequate to Preclude the Enrollment of Land Clear-cut Before the Qualifying Hurricanes

We found three offers that were considered eligible even though all or part of the offered acres had been clear-cut¹³ prior to the qualifying hurricanes (see Producers A, B, and C in exhibit B). Eligible land is defined, in part, as land on a tract that, before the hurricane, was merchantable timber with an average tree diameter of at least 6 inches at 4½ feet above ground level; FSA's procedures do not require county officials to verify with producers if and when acreage has been clear-cut. FSA national office officials stated that since a producer's signature on the EFCRP offer is a certification that "the land to be enrolled in EFCRP . . . suffered damage due to a calendar year 2005 hurricane," they believed it unnecessary to verify whether the acreage had been clear-cut before the hurricane. They stated, however, that they would be willing to instruct the county office staff to ask producers if and when land was clear-cut.¹⁴ As a result of errors on these three offers, FSA county offices would have issued incorrect payments totaling \$43,460.

FSA's procedures for determining loss value provide an example stating that all acres clear-cut just prior to the hurricanes are ineligible. The procedures include the following example of determining loss relative to clear-cut acreage: if a producer with 100 acres of private non-industrial forestland clear-cut 48 of the 100 acres 1 month before the hurricane hit, only the 52 remaining acres would be eligible for EFCRP. The clear-cut 48 acres would be ineligible.¹⁵ If personnel are to properly make these determinations, they must be provided information on when land has been clear-cut, but the procedures for EFCRP do not require that they obtain this information from producers.

Twenty-three (23) of the 55 offers in our sample included areas for which the State foresters had determined post-hurricane economic values of zero, indicating to us that the areas may have been clear-cut. Through EFCRP file reviews and interviews with the producers, foresters, and others as deemed necessary, we confirmed that in each of these 23 cases the areas with post-hurricane economic values of zero had, in fact, been clear-cut. In each case, we also determined when the areas had been clear-cut. Upon further review of the 23 EFCRP offers with clear-cut areas, we found that FSA had accepted 3 EFCRP offers on areas that were clear-cut prior to the eligible hurricanes. In these three cases, neither State foresters nor FSA county officials determined if and when offered acres had been clear-cut, and thus made incorrect eligibility determinations.

¹³ Clear-cutting is a harvesting and regeneration method which removes all the trees (regardless of size) on an area. Clear-cutting is most used with species like pine which require full sunlight to reproduce and grow well. Clear-cutting produces an even-aged forest stand.

¹⁴ Computer software for the current EFCRP program has been modified to prompt the user to enter the participant's response to a pre-hurricane timber value eligibility statement.

¹⁵ According to *FSA Handbook 2-CRP* (Rev. 4), subparagraph 150.6 C, "Examples of Determining Total Loss," Example 3, dated July 17, 2006.

In Mississippi, we found one producer had clear-cut a total of 172.6 acres on two tracts,¹⁶ including 88 acres clear-cut before the hurricane. However, State foresters and FSA county officials who processed the offers for both tracts treated all acres as eligible. For one tract with 77.1 eligible acres, 54.1 acres were clear-cut prior to the hurricane. Therefore, these 54.1 acres should not be included in the total eligible acreage. As a result, the remaining 23 acres of forestland on the tract no longer met the minimal 35 percent damage threshold for the tract. For the second tract, 33.9 of the 95.5 eligible acres were clear-cut before the hurricane and, therefore, were ineligible for the program. The remaining 61.6 acres had damage in excess of the required 35 percent and were eligible. OIG photo 1 shows part of the 54.1 acres that were clear-cut prior to the hurricane.



OIG Photo 1

In Texas, the officials processing one offer were unaware that some acres had been clear-cut prior to the qualifying hurricane and thus treated all acres as eligible. On our field visit, we questioned the timing of the harvest of some acres. Upon our request, the forester contacted the producer and determined that 32 of 97 acres had been clear-cut prior to the hurricane.

When we brought these three errors to the attention of FSA officials, they immediately took steps to reduce the acreages accordingly and thus prevented incorrect payments totaling \$43,460. When questioned, producers for these offers readily stated that portions of the offered acres had been clear-cut prior to the hurricanes.

¹⁶ Total acres for the two tracts was 320 acres.

We concluded that FSA should strengthen its procedures to require county officials to ascertain the amount and timeframe of any acreage that has been clear-cut. FSA has since modified its computer software for the current EFCRP program to prompt the user to enter the participant's response to a pre-hurricane timber value eligibility statement.

We also noted that, in developing its Benefits Index ranking system for EFCRP, FSA did not establish a consistent method for scoring clear-cut tracts. When the anticipated number of applicants for the 2005 hurricane season did not materialize, FSA had sufficient funds to approve all eligible EFCRP offers, and the use of a ranking system to distribute program funds was unnecessary. However, we determined that if the Benefits Index ranking system had been used as designed, it would not have been adequate to ensure that all producers were treated consistently because State forestry agencies established a policy that areas clear-cut by the producer after the hurricanes were considered 100 percent damaged. As a result, the post hurricane value of timber stands was underestimated; thus, the estimated value loss may have been overstated for offers/producers with clear-cut areas.

Specifically, FSA determined the value lost as a result of the hurricanes by subtracting the post-hurricane values from the pre-hurricane values. Both of these values were determined by the State foresters through field visits and inspections of the affected tracts. We noted that 23 of our 55 sample offers had some area of clear-cut timber. We cannot determine the total amount of overstatement; however, State forestry agency personnel's policy of assigning 100 percent damage to clear-cut areas potentially understates the post-hurricane value. OIG photo 2 shows an example of a clear-cut area that was determined to be a 100 percent loss. The trees behind the clear-cut area do not appear to be damaged.



OIG Photo 2

We attempted to more accurately determine the post-hurricane value for the clear-cut tracts through 1) interviews of producers to obtain timber sales data for the offered tracts, 2) interviews of timber salvage crews, and 3) analysis of timber cruise documents and receipts.¹⁷ We were able to obtain additional data for 9 of the 23 tracts and determined that 1 of those 9 may not have had the 35 percent damage required for eligibility, 7 tracts may have received points in the Benefits Index scoring process they were not entitled to, and 1 tract, despite overstated damages, may have received a proper score. These tracts may not have qualified for EFCRP if FSA had relied on the Benefits Index to determine program eligibility as it has regularly done in past programs and likely will again for future programs.

In order to improve the consistency with which FSA implements its EFCRP procedures, it should require applicants to identify the location and timing of clear-cut areas that are offered for the program.

Definition of Owners/Operators Principally Engaged in the Primary Processing of Raw Wood Products Needs To Be Clarified To Ensure Consistent Application.

We found that applicants who may have been engaged in the primary processing of raw wood products were determined to be ineligible for EFCRP in one State but were determined eligible in another. Regulations and FSA's EFCRP procedures related to eligibility state that corporations whose stocks are publicly traded, or owners or lessees who are principally engaged in the primary processing of raw wood products, are excluded from the definition of private non-industrial forest landowner for EFCRP purposes.¹⁸ However, EFCRP guidelines do not clearly define what it means to be a producer principally engaged in the primary processing of raw wood products. As a result, the county office approved questionable payments of \$86,080 on a sample tract in Alabama (see Producer D in exhibit B).

Without a clear definition of what it means to be principally engaged in the primary processing of raw wood products, officials were left to interpret this language as they saw fit, and we found applicants determined eligible in one State were determined ineligible in another. For example, in Alabama, five cousins applied for EFCRP as two separate entities (one entity is owned by three siblings, and the other entity is owned by their two cousins); each entity had 50 percent ownership of the tract offered for EFCRP. The five cousins jointly owned a sawmill (corporation); not one of the cousins had more than 25 percent ownership share of the sawmill. With the assistance of Alabama Forestry Commission officials, FSA county officials decided that, unless an applicant owned more than 50 percent of a sawmill, the applicant was not principally engaged in the primary processing of raw wood products. As none

¹⁷ Timber cruising is the determination of timber volume and value (timber quality) for a tract of timber.

¹⁸ Title 7, *Code of Federal Regulations*, sections 1410.2 and 1410.12, and *FSA Handbook 2-CRP* (Rev. 4), subparagraph 150.1 C, dated July 17, 2006.

of the applicants owned more than 50 percent of a sawmill, FSA county officials determined both entities were eligible for EFCRP.

This sample tract was one of five tracts owned by the cousins and enrolled in EFCRP in Alabama. These producers are to receive total payments of \$110,280 on the other four tracts in Alabama that were not included in our sample. An Escambia County FSA official told us that the cousins also owned land in Florida. We interviewed the Florida FSA officials for the county where the cousins owned land and found that these cousins offered their land for EFCRP in Florida. However, Florida Division of Forestry determined the land was not private non-industrial forestland, so Florida FSA county officials could not offer a contract for the program because the land did not meet the eligibility requirements for EFCRP. The producers appealed this decision to the National Appeals Division and were awaiting a decision at the time we concluded our fieldwork in Alabama.

We discussed this issue with FSA national office officials during the audit. They agreed that the determinations between States need to be consistent and were working with the State offices and State forestry agencies to achieve that end. They also indicated that determining private non-industrial forestland under the current rules can be very subjective and, in this case, is compounded by the lack of specific guidance used to determine who is principally engaged in the primary processing of raw wood products.

In order to improve the consistency with which FSA implements its EFCRP procedures and to clarify similar situations, the agency should revise its procedures to include a precise definition of owners/operators principally engaged in the primary processing of raw wood products.

FSA Needs to Clarify Its Procedures for Calculating the Values of Damaged Trees

As part of determining the eligibility of EFCRP offers, State forestry agency personnel were required to calculate the value of trees that were damaged and undamaged on the producers' property. We found, however, that State forestry agency personnel in Alabama, Mississippi, and Texas used different methods for calculating the values of damaged and undamaged trees. This occurred because FSA's EFCRP procedures do not provide a methodology for arriving at these values. Without a defined methodology, FSA cannot ensure the consistent treatment of producers, regardless of the locations of their land for this or future EFCRPs.

FSA's EFCRP procedures require that State foresters determine the percent of loss for an offer, based on the difference between the pre-hurricane and post-hurricane values of trees using the spring 2006 Timber Mart-South

prices.¹⁹ The procedures, however, do not provide specific methodology for determining these values.

Although the States used consistent timber prices, Alabama, Mississippi, and Texas State forestry agency officials each used different methodologies for determining the value of damaged and undamaged trees:

- Alabama Forestry Commission officials calculated undamaged value using tree species, diameter, and estimated height, and then calculated a damaged value based strictly on the diameter and estimated height of the damaged trees, regardless of species.²⁰ Diameters of trees were measured in 2-inch increments.²¹
- Mississippi Forestry Commission officials assigned a value to damaged and undamaged trees based on tree species, estimated height, and diameter. Diameters of trees were measured in 1-inch increments.
- Texas Forest Service officials recorded tree species and diameter of both damaged and undamaged trees and then used a database of average tree heights to calculate each tree's value. Diameters of trees were measured in 1-inch increments.

Application of these different methods for calculating the value of damaged trees may result in different loss percentages for the same producer. For example, we recalculated loss percentages for all 25 tracts in our Mississippi sample using both Alabama's and Texas' methods for determining the value of damaged trees. Using Texas' method, 7 of 25 tracts had loss percentages that differed by greater than 5 percent. Using Alabama's method, 3 of 25 tracts had loss percentages that differed by greater than 5 percent.

The U.S. Forest Service coordinator for EFCRP stated that he did not believe that small differences in methodology would have a significant effect on eligibility, so he did not specify a valuation method for all States to use. However, we found that in one case the difference in loss percentage would have affected the producer's eligibility. Specifically, Mississippi State forestry officials determined that one producer suffered a 42 percent loss. The producer was eligible for annual rental payments because the loss exceeded EFCRP's 35 percent minimum. Had the producer's land been located in Alabama, however, his loss percentage would have been calculated to be 26 percent, and his offer would have been determined ineligible.

FSA should decide upon a specific methodology to determine the value of damaged trees and clarify its EFCRP procedures accordingly. Doing so will

¹⁹ *FSA Handbook 2-CRP* (Rev. 4), subparagraphs 150.6 A and C, dated July 17, 2006.

²⁰ One county in Alabama assigned value to individual trees based on the tree species, estimated height, and diameter.

²¹ If a tree had a measured diameter of 7.0-8.9 inches, forestry personnel would record it as 8 inches in diameter.

improve the consistency with which FSA implements EFCRP for future disasters and better ensure equitable treatment of producers by the different States.

We conclude that in order to correctly and consistently determine the eligibility of EFCRP offers, FSA should clarify relevant terminology and procedures.

Recommendation 1

Issue policies and procedures that require applicants to identify the location and timing of clear-cut areas that are offered for the program; provide States with a precise definition related to owners or lessees principally engaged in the primary processing of raw wood products; and establish a consistent method for using species, diameter, and height to arrive at tree value.

FSA Response

“A CRP Notice is scheduled to be issued by November 1, 2008, to clarify FSA policies and procedures regarding acres offered for EFCRP that have been clear-cut, the definition of owners or lessees principally engaged in the primary processing of raw wood products, and the method to be used by technical service providers to arrive at tree value.

Regarding the clear-cut issue, we also conducted a conference call on August 2, 2007, to clarify issues of EFCRP policy, including the identification of clear-cut acres. We instructed State FSA office conservation program specialists to notify county FSA office personnel to work with EFCRP applicants and identify the location and timing of clear-cuts as part of the offer process.

To ensure producer understanding, we further instructed county offices to manually enter the statement “Producer certifies forester’s assessment of pre-storm value accurately accounts for clear-cutting/thinning activities,” on the form CRP-2F worksheet before the producer signs block 22 of the CRP-2F. When applicants sign the CRP-2F, they are indicating the acreage was merchantable timber and private, non-industrial forestland at the time of the hurricane, signing the CRP-2F is binding and falsely reporting information may jeopardize program benefits.

Concerning the definition related to processing of raw wood products. Regulations at 7 CFR part 1410.2 exclude corporations whose stocks are publicly traded or owners or lessees principally engaged in the primary processing of raw wood products from the definition of private non-industrial landowners. We have begun negotiation with the Forest Service and the Natural Resources Conservation Service to further define producers

principally engaged in the primary processing of raw wood products. We anticipate this to be completed and a notice issued by November 1, 2008.

With respect to a consistent method to arrive at tree value, we convened a meeting of State FSA office, Forest Service, and State forestry agency personnel from the five States participating in EFCRP on September 26-27, 2007, in Jackson, Mississippi. The purpose of the meeting was to improve the effectiveness of EFCRP program delivery including the development of a consistent method for using species, diameter and height to arrive at tree value. All parties agreed to use one, consistent methodology. Representative plots (plot radius of 26.33 feet) were agreed to be taken and the number of trees tallied by species and degree of damage (undamaged pine, damaged pine, undamaged hardwood, and damaged hardwood) and diameter at breast height (4.5 feet above ground). Local volume tables (which consider height in their calculations) are consulted to derive timber damage volume estimates. Timber Mart South figures are then used to determine lost value.”

OIG Position

We accept FSA’s management decision.

Recommendation 2

Coordinate with State forestry agencies to establish clear procedures for calculating the value of damaged trees.

FSA Response

“During the September 2007 meeting, there was an agreement to use one consistent method to calculate economic loss. Following the meeting, the Mississippi Forestry Commission developed standardized emergency forestry programs field tally sheets and eligibility determination protocols. The Mississippi Forestry Commission procedures were reviewed and agreed upon by FSA, Forest Service, and State forestry agencies from the five participating states.”

FSA also included these tally sheets and protocols plus other CRP information in the documentation provided in exhibit C.

OIG Position

We accept FSA’s management decision.

Recommendation 3

Clarify the Benefits Index ranking system to provide a method for more accurately determining value of clear-cut acreage.

FSA Response

“We intend to issue a CRP Notice by November 1, 2008, instructing FSA State and county offices to work with State forestry agency personnel to more accurately determine economic value loss on clear-cut acreage.

Damage exhibited by forest trees from hurricanes will vary widely depending upon the distance from the track of the storm and changes from straight line wind effects to microburst and localized tornadoes. However, aerial photography, satellite imagery, and adjoining forest stand damage can often be used to determine stand damage. FSA offices will be instructed to use all available documentation and other evidence to validate claims of 100 percent loss of timber stand value due to qualifying storm events.”

OIG Position

We accept FSA’s management decision.

Recommendation 4

Review the offer for the case presented in this report (Producer D) that was not corrected during the audit. (See exhibit A.) Determine and take appropriate corrective action.

FSA Response

“In October 2007, the Deputy Director, National Appeals Division (NAD) reversed a hearing officer's determination issued on May 16, 2007. In the determination, the Hearing Officer upheld an FSA denial of nine EFCRP applications (each for a different tract of land). FSA found that the land Appellants offered did not meet the private non-industrial land eligibility requirement. The Deputy Director of NAD concluded that FSA's adverse decision was not consistent with the applicable laws and regulations and was not supported by substantial evidence of record. The NAD Deputy Director stated that Appellants' ownership of shares in a private, industrial forest landowner corporation did not automatically make them ineligible for EFCRP where they meet the private, non-industrial forestland criteria for establishing eligibility. The NAD Deputy Director concluded that the Appellants were private, non-industrial landowners and the land they offered eligible for the EFCRP. This action established consistent treatment of Producer D in both Alabama and Florida.”

OIG Position

We accept FSA's management decision.

Finding 2

Administrative Controls over Eligibility

We found that the eligibility of seven offers was not determined in accordance with provided procedure. This occurred because FSA county offices did not use second party or supervisory reviews to check for errors on EFCRP offers. Errors on these seven EFCRP offers would have resulted in FSA issuing \$684,890 in incorrect annual payments.

We discuss each of these seven errors, individually, below:

- For three offers in Alabama and Texas (Producers E, F, and G - see exhibit B), we found that producers did not include all private non-industrial forestland of merchantable timber on the offered tracts. This occurred because FSA county officials were not aware that all private non-industrial forestland of merchantable timber must be included in order for the applicant to be eligible, even though the procedure specifically requires all acres be included.²² When we brought this problem to their attention, FSA county officials corrected the acres offered to include all eligible tract acres. Since some of the producers may have intentionally not included all lands on the tracts, the FSA county officials agreed that the producers would have been ineligible for the entire \$508,400 in program payments.²³ This error could have been corrected if a second party review required matching eligible acres to offered acres. The FSA national office issued a memo reiterating that a producer must offer all private non-industrial forestland on his/her tract.
- For one offer in Texas (Producer H – see exhibit B), FSA county officials incorrectly identified 8.8 acres of non-forestland as merchantable timber. Eligible land must be merchantable timber with a diameter of at least 6 inches at 4½ feet above the ground.²⁴ Both the Texas Forest Service officials and FSA county office personnel had different total tract acres for this offer. After our review, FSA county officials and Texas Forest Service officials agreed that the original offer was overstated by 8.8 acres. This overstatement could have been identified and corrected by FSA through reconciliation of acres. The error also could have been identified by noting that the State forester did not list a 7-acre pond as non-merchantable timber, even though it

²² *FSA Handbook 2-CRP* (Rev. 4), subparagraph 150.6 C, "Examples of Determining Total Loss," Example 2, dated July 17, 2006.

²³ Subsequent to our audit, FSA revised procedure to allow for partial tracts to be offered (procedure dated July 11, 2007).

²⁴ *FSA Handbook 2-CRP* (Rev. 4), subparagraph 150.1 C, dated July 17, 2006.

appeared on the FSA map. Had it not been corrected, this error would have resulted in a total of \$2,460 in incorrect payments.

- For another offer in Texas (Producer I – see exhibit B), FSA county officials improperly accepted as eligible a tract evaluated by a private forester. This occurred because FSA county personnel did not question the decision of the Texas Forest Service officials to use the eligibility determination of the private forester. EFCRP procedures state that a State forester will determine percent of loss.²⁵ FSA national office personnel agreed with our interpretation and issued a notice on October 20, 2006, clarifying private foresters are allowed to make recommendations, but State foresters are prohibited from using private forester recommendations as the sole source of evaluation.²⁶ Before receiving the private forester evaluation of the tract in question, the Texas Forest Service had calculated before and after values that indicated less than 35 percent damage and determined that the tract was ineligible. However, based on the recommendation from the Texas Forest Service, FSA county officials used the private forester's calculations in order to judge the producer eligible. As a result of their error, FSA incorrectly approved \$72,830 in total rental payments to this producer. This error was not corrected at the time of our field visits.
- In Alabama, a State forester incorrectly determined the damage on Producer J's tract (see exhibit B). This occurred as the State forester erroneously evaluated timber outside the boundaries of the applicant's offered tract. EFCRP regulations state that the State forester will do an onsite visit for each tract and evaluate the type of tree, quantity of tree, and quality of tree.²⁷ Based on the forester's evaluation, FSA determined that the land had 77 percent damage and was eligible. We questioned whether the tract had the required damage during our field visit. Alabama Forestry Commission officials re-evaluated the tract and determined there was only 30.77 percent damage. This tract was, therefore, ineligible. Had it not been corrected, this error would have resulted in a total of \$9,350 in incorrect payments.
- For another offer in Alabama, the FSA county office entered an incorrect number of eligible acres for Producer K (see exhibit B). EFCRP procedures state that for land to be eligible, it must have contained merchantable timber with a diameter of 6 inches at 4½ feet above the ground before the hurricane.²⁸ Although Alabama Forestry Commission officials designated only 73 acres on the 240 acre tract as merchantable, the FSA county office inadvertently entered the entire 240 acres as

²⁵ *FSA Handbook 2-CRP* (Rev. 4), subparagraph 150.3 A, step 6, dated July 17, 2006.

²⁶ October 20, 2006, memorandum from the FSA (national office) CRP Program Manager to the Alabama, Florida, Louisiana, Mississippi, and Texas FSA State Executive Directors.

²⁷ *FSA Handbook 2-CRP* (Rev. 4), subparagraph 150.6 B, dated July 17, 2006.

²⁸ *FSA Handbook 2-CRP* (Rev. 4), subparagraph 150.1 C, dated July 17, 2006.

merchantable. This error might have been identified through second party review, but the EFCRP portion of the CRP handbook did not specifically require a second-party review. Had it not been corrected, this error would have resulted in a total of \$91,850 in incorrect payments.

At the time of our review, FSA had not conducted any other internal reviews. We concluded that these errors could have been identified if FSA required its county offices to conduct second party or supervisory reviews of EFCRP offers. During our site visits, FSA corrected six of these seven errors. FSA should review the seventh offer (where officials based eligibility solely on the evaluation of a private forester) and determine whether to take corrective action on that offer.

Texas State FSA Officials Incorrectly Established a 10-acre Eligibility Minimum

We also noted that Texas State FSA officials incorrectly established a 10-acre eligibility minimum, which meant that an indeterminable number of Texas producers may have been incorrectly excluded from the program. FSA procedures state that that no minimum acreage is authorized for eligibility.²⁹ Texas State FSA officials and Texas Forest Service officials stated that contractors in Texas will not accept work on tracts less than 10 acres, so they felt they were justified in making the restriction. We could not determine exactly how many Texas producers may have been excluded from the program, because no record was kept of inquiries made from individuals with less than 10 acres. One Texas FSA county office official stated that the county office had received inquiries from people with less than 10 acres, but the producers were told the county office was not accepting offers for less than 10 acres. When we informed the FSA national office about the restriction, it issued a memo to the State offices identifying the conflict and stating that the 10-acre minimum should be withdrawn. The memo is dated the same day as the final day of sign-up. Alabama and Mississippi State FSA officials followed procedure and allowed tracts with less than 10 acres to be enrolled in EFCRP. In those States, a total of 26 producers with fewer than 10 acres are to receive \$60,220 in total rental payments. Had these producers' lands been located in Texas, the FSA State office would have excluded them from the program.

Recommendation 5

Require second party and/or supervisory reviews by the county office before EFCRP contracts are finalized.

²⁹ *FSA Handbook 2-CRP* (Rev. 4), subparagraph 150.1 C, dated July 17, 2006, "No minimum acreage size is authorized for EFCRP."

FSA Response

“We intend to issue a CRP Notice by November 1, 2008, requiring supervisory review of EFCRP offers before contracts are finalized. During the September, 2007, meeting, State forestry agencies were instructed by the Forest Service to provide comments in technical service provider section of CRP-2F alerting FSA county office and supervisory review personnel to any irregularities with producers offer.”

OIG Position

We accept FSA’s management decision.

Recommendation 6

Review the offer for the case in the report (Producer I) that was not corrected during the audit. (See exhibit A.) Determine and take appropriate corrective action.

FSA Response

“The FSA Texas State Office has been instructed to work with the Texas Forest Service to ensure that the data and calculations used to complete the CRP-2F worksheet in the subject case are performed by the Texas Forest Service.

Based on the determinations made by the Texas Forest service, FSA intends to take appropriate corrective action by December 15, 2008.”

OIG Position

We accept FSA’s management decision.

Scope and Methodology

Our review assessed the controls established by FSA to implement and administer EFCRP. We performed fieldwork from September 2006 through September 2007. Our review was conducted at the FSA national office in Washington, D.C., as well as State and county offices in Alabama, Mississippi, and Texas.

We judgmentally selected Alabama, Mississippi, and Texas for review because producers in these States offered the most acres for EFCRP participation. Within each State, we visited a sample of judgmentally selected counties based on offer volume: Escambia, Mobile, and Monroe Counties in Alabama; Marion, Pike, and Walthall Counties in Mississippi; and Hardin County in Texas. Due to the unavailability of Texas Forest Service representatives, we were only able to visit one county in Texas.

We reviewed 55 offers (19 judgmental, 36 random) for \$2,578,580 of \$53,337,952 on 1,440 accepted offers located in all 6 EFCRP States.³⁰ Of those 55 sample offers, 3 for \$37,200 were eventually denied or withdrawn from the offer process.

In conducting our review, we performed the following steps:

- Reviewed laws, regulations, procedures, and program documents to verify and evaluate program implementation.
- Interviewed agency personnel responsible for the administration of EFCRP operations at the national, State, and field office levels (which included Federal and State forestry personnel). We also interviewed landowners and timber salvage crews concerning clear-cut land.
- Reviewed five randomly selected offers and three to five judgmentally selected offers in each sampled county, along with their supporting documentation.³¹ We generally limited our judgmental selections to offers recommended by the county office, offers with potential conflicts (county office staff, county committee members, etc.), offers with a large number of offered acres, offers with new producers, or offers with potential conflicting Federal cost-share contracts.
- Performed field visits to the land on selected offers to verify State forester determinations.

³⁰ Note there were no offers in North Carolina, even though the State was eligible for the program.

³¹ In two counties, due to the limited number of offers, we reviewed all offers.

- Reviewed six final conservation plans (two each from the three selected counties in Mississippi) to verify the plans were customized to the land offered. We also contacted the Mississippi State office to confirm that final conservation plans were completed for the entire State.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Exhibit A – Summary of Monetary Results

Finding Number	Recommendation	Description (See also Exhibit B)	Amount	Category
1	Not Applicable ³²	Offers Included Acreage Clear-cut Before the Hurricane(s) - Producers A, B, and C	\$43,460	Funds to be put to Better Use: Management or Operating Improvement/Savings
1	4	Participant Did Not Meet Definition of Private Non-industrial Forestland Owner (\$86,080) - Producer D	\$86,080	Questioned Costs – Recovery Recommended
2	6	Texas Forest Service Accepted Private Forester Determination of Damage (\$72,830) - Producer I	\$72,830	Questioned Costs – Recovery Recommended
2	Not Applicable ³²	<ul style="list-style-type: none"> • Offers Did Not Include All Private Non-industrial Forestland on Tract(s) (\$508,400) - Producers E, F, and G • Offer Included Land Other Than Private Non-industrial Forestland (\$2,460) – Producer H • Offer’s Qualifying Percentage Loss of Merchantable Timber was Miscalculated by Alabama Forestry Commission Forester (\$9,350) - Producer J • Offer Included Forestland Without Merchantable Timber (\$91,850) - Producer K 	\$612,060	Funds to be put to Better Use: Management or Operating Improvement/Savings
		Total	\$814,430	

³² There is no audit recommendation corresponding to this monetary amount, because, during the audit, FSA corrected the offer/contract to preclude issuance of incorrect payments. No further corrective action is needed.

Exhibit B – Summary of Errors

Error Type	Producer	County, State	Detail of Error	Original Payment Amount (over 10 years) ³³	Incorrect Payment Amount (over 10 years) ³⁴
Procedures were not clear	A	Marion County, MS	Clear-cut acres before hurricanes – some acres are not eligible	\$29,610	\$10,510
	B	Marion County, MS	Clear-cut before hurricanes – offer determined ineligible	\$23,900	\$23,900
	C	Hardin County, TX	Clear-cut acres before hurricanes – some acres not eligible	\$27,050	\$9,050
	D	Escambia County, AL	Producer owns sawmill – producer eligibility questionable	\$86,080	\$86,080
Subtotal					\$129,540
Administrative Errors	E	Mobile County, AL	Did not offer all acres – offer not eligible as offered	\$1,260	\$1,260
	F	Mobile County, AL	Did not offer all acres – offer not eligible as offered	\$7,140	\$7,140
	G	Hardin County, TX	Did not offer all acres – offer not eligible as offered	\$500,000	\$500,000
	H	Hardin County, TX	Ineligible acres coded as eligible – some acres not eligible	\$115,300	\$2,460
	I	Hardin County, TX	Texas Forest Service accepted private forester determination of damage – offer not eligible	\$56,000 ³⁵	\$72,830
	J	Escambia County, AL	Incorrect percent of damage – offer determined ineligible	\$9,350	\$9,350
	K	Escambia County, AL	Incorrect eligible acres entered by FSA – some acres not eligible	\$132,000	\$91,850
Subtotal					\$684,890
Grand Totals				\$987,690	\$814,430

³³ These figures represent the projected contract amounts of the applications at the time of our review.

³⁴ These figures represent the ineligible amounts prior to corrective action by county office personnel.

³⁵ At the time of our review, this producer had not offered all eligible acres making his projected payment \$56,000. The county office corrected the offered acreage amount, making his projected payment \$72,830.

Exhibit C – Agency Response

Exhibit C – Page 1 of 23



United States
Department of
Agriculture

SEP - 2 2008

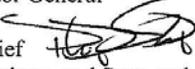
Farm and Foreign
Agricultural
Services

Farm Service
Agency

Operations Review
and Analysis Staff

1400 Independence
Ave, SW
Stop 0540
Washington, DC
20250-0501

TO: Director, Farm and Foreign Agriculture Division
Office of Inspector General

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

SUBJECT: Audit 03601-24-KC – Farm Service Agency Hurricane Relief
Initiatives: Emergency Forestry Conservation Reserve Program

Attached is the Farm Service Agency's Deputy Director, Conservation and Environmental Programs response to the official draft of the subject audit.

Please address any questions to Karren Fava 720-6152.

Attachment

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United States
Department of
Agriculture

Farm and Foreign
Agricultural
Services

Farm Service
Agency

1400 Independence
Ave, SW
Stop 0513
Washington, DC
20250-0513

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

FROM: Mike Linsenbigler *Mike Linsenbigler*
Deputy Director, Conservation and
Environmental Programs Division

SUBJECT: Transmittal of Office of Inspector General Discussion Draft Audit
03601-24-KC – Farm Service Agency Hurricane Relief Initiatives –
Emergency Forestry Conservation Reserve Program

SEP - 2 2008

MS
9-2-08

We have reviewed the draft audit regarding EFCRP.

Recommendation 1. Issue policies and procedures that require applicants to identify the location and timing of clear-cut areas that are offered for the program; provide States with a precise definition related to owners or lessees principally engaged in the primary processing of raw wood products; and establish a consistent method for using species, diameter, and height to arrive at tree value.

Agency Response:

A CRP Notice is scheduled to be issued by November 1, 2008, to clarify FSA policies and procedures regarding acres offered for EFCRP that have been clear-cut, the definition of owners or lessees principally engaged in the primary processing of raw wood products, and the method to be used by technical service providers to arrive at tree value.

Regarding the clear-cut issue, we also conducted a conference call on August 2, 2007, to clarify issues of EFCRP policy, including the identification of clear-cut acres. We instructed State FSA office conservation program specialists to notify county FSA office personnel to work with EFCRP applicants and identify the location and timing of clear-cuts as part of the offer process.

To ensure producer understanding, we further instructed county offices to manually enter the statement "Producer certifies forester's assessment of pre-storm value accurately accounts for clear-cutting/thinning activities," on the form CRP-2F worksheet before the producer signs block 22 of the CRP-2F. When applicants sign the CRP-2F, they are

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Philip Sharp
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indicating the acreage was merchantable timber and private, non-industrial forestland at the time of the hurricane. Signing the CRP-2F is binding and falsely reporting information may jeopardize program benefits.

Concerning the definition related to processing of raw wood products. Regulations at 7 CFR part 1410.2 exclude corporations whose stocks are publicly traded or owners or lessees principally engaged in the primary processing of raw wood products from the definition of private non-industrial landowners. We have begun negotiation with the Forest Service and the Natural Resources Conservation Service to further define producers principally engaged in the primary processing of raw wood products. We anticipate this to be completed and a notice issued by November 1, 2008.

With respect to a consistent method to arrive at tree value, we convened a meeting of State FSA office, Forest Service, and State forestry agency personnel from the five States participating in EFCRP on September 26 -27, 2007, in Jackson, Mississippi. The purpose of the meeting was to improve the effectiveness of EFCRP program delivery including the development of a consistent method for using species, diameter and height to arrive at tree value. All parties agreed to use one, consistent methodology. Representative plots (plot radius of 26.33 feet) were agreed to be taken and the number of trees tallied by species and degree of damage (undamaged pine, damaged pine, undamaged hardwood, and damaged hardwood) and diameter at breast height (4.5 feet above ground). Local volume tables (which consider height in their calculations) are consulted to derive timber damage volume estimates. Timber Mart South figures are then used to determine lost value.

Recommendation 2. Coordinate with State forestry agencies to establish clear procedures for calculating the value of damaged trees.

Agency Response:

During the September 2007 meeting, there was agreement to use one consistent method to calculate economic loss. Following the meeting, the Mississippi Forestry Commission developed standardized emergency forestry programs field tally sheets and eligibility determination protocols. The Mississippi Forestry Commission procedures were reviewed and agreed upon by the FSA, Forest Service and State forestry agencies from the five participating States.

Recommendation 3. Clarify Benefits Index ranking system to provide a method for more accurately determining the value of clear-cut acreage.

Agency Response:

We intend to issue a CRP Notice by November 1, 2008, instructing FSA State and county offices to work with State forestry agency personnel to more accurately determine economic value loss on clear-cut acreage.

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Damage exhibited by forest trees from hurricanes will vary widely depending upon the distance from the track of the storm and changes from straight line wind effects to microburst and localized tornadoes. However, aerial photography, satellite imagery, and adjoining forest stand damage can often be used to determine stand damage. FSA officers will be instructed to use all available documentation and other evidence to validate claims of 100 percent loss of timber stand value due to qualifying storm events.

Recommendation 4. Review the offer for the case presented in this report (Producer D). Determine and take appropriate corrective action.

Agency Response:

In October 2007, the Deputy Director, National Appeals Division (NAD) reversed a hearing officer's determination issued on May 16, 2007. In the determination, the Hearing Officer upheld an FSA denial of nine EFCRP applications (each for a different tract of land). FSA found that the land Appellants offered did not meet the private non-industrial land eligibility requirement. The Deputy Director of NAD concluded that FSA's adverse decision was not consistent with the applicable laws and regulations and was not supported by substantial evidence of record. The NAD Deputy Director stated that Appellants' ownership of shares in a private, industrial forest landowner corporation did not automatically make them ineligible for EFCRP where they meet the private, non-industrial forestland criteria for establishing eligibility. The NAD Deputy Director concluded that the Appellants were private, non-industrial landowners and the land they offered eligible for the EFCRP. This action established consistent treatment of Producer D in both Alabama and Florida.

Recommendation 5. Require second party and/or supervisory reviews by the county office before EFCRP contracts are finalized.

Agency Response:

We intend to issue a CRP Notice by November 1, 2008, requiring supervisory review of EFCRP offers before contracts are finalized. During the September, 2007, meeting, State forestry agencies were instructed by the Forest Service to provide comments in technical service provider section of CRP-2F alerting FSA county office and supervisory review personnel to any irregularities with producers offer.

Recommendation 6. Review the offer for the case in the report (Producer I) that was not corrected during the audit. Determine and take appropriate corrective action.

Agency Response:

The FSA Texas State Office has been instructed to work with the Texas Forest Service to ensure that the data and calculations used to complete the CRP-2F worksheet in the subject case are performed by the Texas Forest Service.

Philip Sharp
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Based on the determinations made by the Texas Forest service, FSA intends to take appropriate corrective action by December 15, 2008.

Enclosures

Emergency Forestry Programs Field Tally Sheet

FSA Tract ID: _____ County: _____ Forester Name: _____ Date: _____

Landowner Information:

Landowner Name: _____ Phone Number: (____) _____
 Mailing Address: _____ Fax Number: (____) _____
 _____ Email Address: _____
 City _____ State _____ Zip Code _____

Area Information – Area No. _____ of _____ Areas

- N1 Erosion Factor.** Is there erosion present in the area? Yes (100 pts) No (50 pts)
N2 Water Factor. Is there permanent water present in the area? Yes (100 pts) No (50 pts)
Water Type: Lake Pond Improved Stream
Area Is? Non-Forested Pre-Merchantable Merchantable Timber
Existing Cover Type: Softwood Longleaf Pine Mixed Upland Hardwood Bottomland Hardwood

N3 Wildlife Factor. Practice Suitability (Check all practices that are appropriate for the area given current conditions).

Sub-factor A.

- New softwood establishment (with less than 500 trees per acre) – 80 pts Existing stand of trees with 60 to 80 square feet of basal area per acre – 50 pts Existing stand of trees with greater than 80 square feet of basal area per acre – 10 pts
 New hardwood establishment (with less than 500 trees per acre) – 80 pts New softwood establishment (with greater than 500 trees per acre) – 20 pts
 Existing stand of trees with 30 to 60 square feet of basal area per acre – 60 pts New hardwood establishment (with greater than 500 trees per acre) – 20 pts

Sub-factor B. Is the area predominantly longleaf or hardwood in the residual overstory or will be established to longleaf pine or hardwood?

- Yes 10 pts No

Sub-factor C. Wildlife enhancement conservation measures will be established on skid trails, loading decks, etc.

- Yes 10 pts No

Section N4 to be completed upon generation of Form 2F output.

N4 Economic Loss Factor. Use summary of plot information, local volume tables, and Timber Mart South figures to calculate economic loss. Calculate pre-storm value (un-damaged plus damaged), subtract damaged, to determine post-storm value. Divide post-storm value by pre-storm value. If loss is greater than 35% then area is eligible.

Is Economic Loss Greater than 35%? Yes No

Sub-factor A. Economic Loss (Percent of Value)

- Between 35% but less than 59% - 10 pts
 Between 60% but less than 74% - 20 pts
 Between 75% but less than 89% - 30 pts
 90% or greater – 50 pts

Sub-factor B. Economic Loss (Dollars per Acre)

- Less than \$100 per acre – 10 pts
 \$100 - \$499 per acre – 20 pts
 \$500 - \$1,500 per acre – 30 pts
 More than \$1,500 per acre – 50 pts

Comments:

Revised 11/2007

Emergency Forestry Conservation Reserve Program
 FFY 2008 Implementation
 Eligibility Determination Protocols

Effective deployment of cooperating state resources for program eligibility determination are predicated upon the advantageous use of remotely sensed imagery for delineation of areas impacted during the 2005 hurricane season. The availability of imagery for the 5 states: Alabama, Florida, Louisiana, Mississippi and Texas in the form of National Agriculture Imagery Program digital photography is summarized in Table 1. This table depicts the spatial resolution of the imagery available in each tabular cell with the columns representing the year the imagery was captured and the rows representing the state for which the coverage exists.

Availability of NAIP imagery for states
 impacted by the 2005 hurricane season
 with spatial resolution in meters.

State	Acquisition Year		
	2005	2006	2007
AL		2	1
FL	2	2	1
LA	2	2	1
MS	2	2	1
TX	2	2	

Based upon this table Alabama represents the only state that does not have adequate imagery coverage to implement the protocols as defined by this document. This pre-event gap in coverage can be easily rectified by obtaining commercially available data from the United States Geological Survey Earth Resources and Observation Science (EROS) Data Center. Multi-spectral Ikonos satellite data with 4 meter spatial resolution would be sufficient for mapping pre-storm land cover on individual tracts. This imagery can be obtained through cooperative agreements between the federal agencies with minimal financial investment to provide the requisite coverage for the State of Alabama.

NAIP Photography

The NAIP program delivers high resolution, 2 meter for 2005 and 2006 with 1 meter for 2007, true color imagery in a digital format. This imagery is already ortho-rectified and ready for input into GIS mapping programs. Although true color imagery is not the preferred band combinations for delineating forested land cover, to facilitate the implementation of the EFCRP program in a timely manner the professional forester possesses the necessary skill set to obtain a precise delineation of forested covertypes. Because the post-storm mapping product is the primary goal for performing the photo-interpretation; the resolution of available imagery should be the same or higher than the pre-storm imagery to minimize the field inventory effort. The currently available NAIP imagery with the exception of 2005 Alabama coverage should be considered the base-line minimum for conducting the image analysis portion of EFCRP program implementation. Obviously, this does not restrict the usage of other image products especially in the case of Alabama for 2005 imagery is non-existent or in post-storm imagery that might possess qualities better suited to the implementation of the mapping effort.

Photo Interpretation

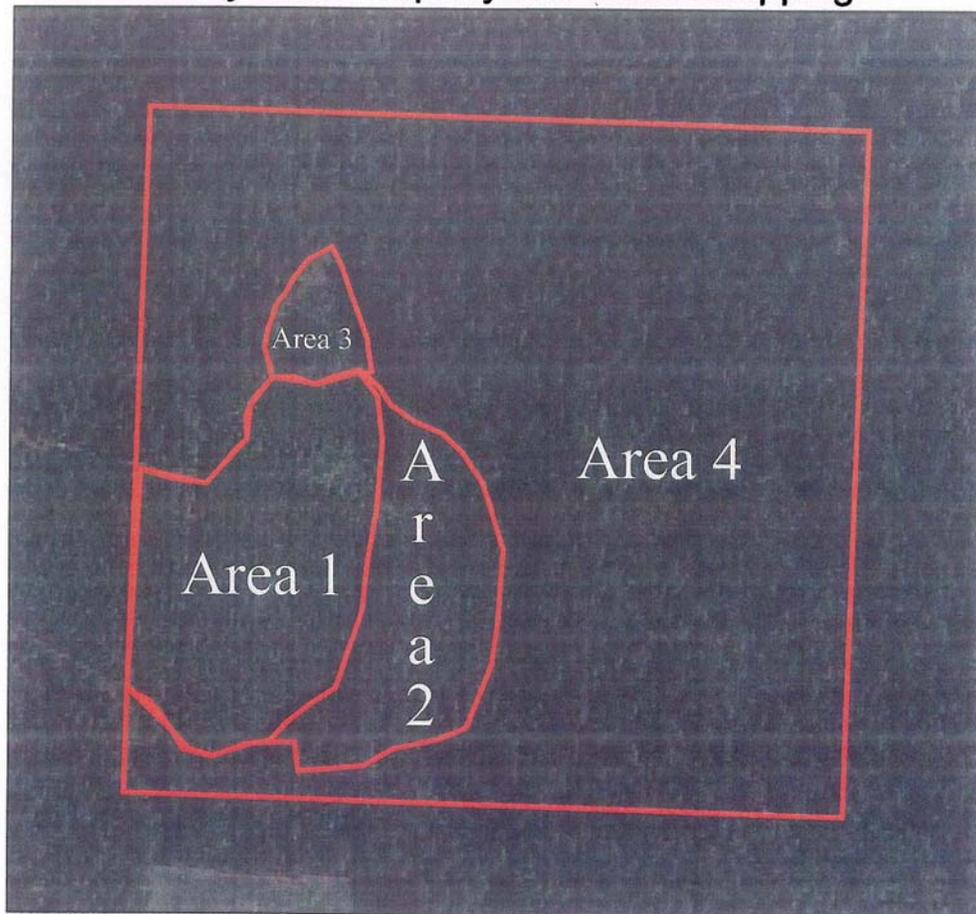
The professional forester through education is provided a skill set that allows them to perform basic photo-interpretation techniques. There are eight individual components that affect the interpretation of imagery. Seven of the criteria are inherent in the imagery itself: 1) Shape, 2) Pattern, 3) Size, 4) Color/Tone, 5) Shadow, 6) Texture, and 7) Context. The eighth component is the experience and confidence of the interpreter. Studies have shown that the higher the spatial resolution the less impact that interpreter differences have on the identification of objects through photo-interpretation. Hence with the available imagery resolution there is no need to elaborate on the fundamental photo-interpretation techniques utilized by professional foresters to implement this program.

The basic workflow pattern is to create a pre-storm and post-storm map of the impacted property and identify those areas where damage was incurred by the forest cover. This will be accomplished through interpretation of pre- and post-storm imagery overlaying the pre-storm map on post-storm imagery and further delineating the damaged areas. As a means of example the following hypothetical tract for Mississippi is presented.

The first image is a 40 acre tract mapped from 2005 NAIP imagery with 4 areas delineated. Area 1 is pre-merchantable material. Area 2 is a stand that is pulpwood sized. Area 3 is an semi-open stand with scattered mature timber. Area 4 is a mature stand of pine with some hardwood. The second image is the same tract with Area 4 delineated into 3 additional areas representing various levels of damage. In the second image mapped Areas 1 and 2 indicate non-significant damage. Area 3 has been completely harvested and apparent site preparation activity has occurred. Area 4 and Area 7 show moderate damage and would be classified as the same area if they were contiguous. Area 5 shows significant damage. Area 6 shows harvest activity without site preparation activity.

The final image depicts the sampling plot distribution that would be applied to eligibility determination for this tract. The plot locations depicted are randomly assigned and therefore this image is only one possibility designed to show how plots should be distributed across the various areas. Special attention should be paid to Area 3 for only one plot is located within this area and its primary function to collect the practice suitability information for this particular area since there will not be any inventory information to be collected.

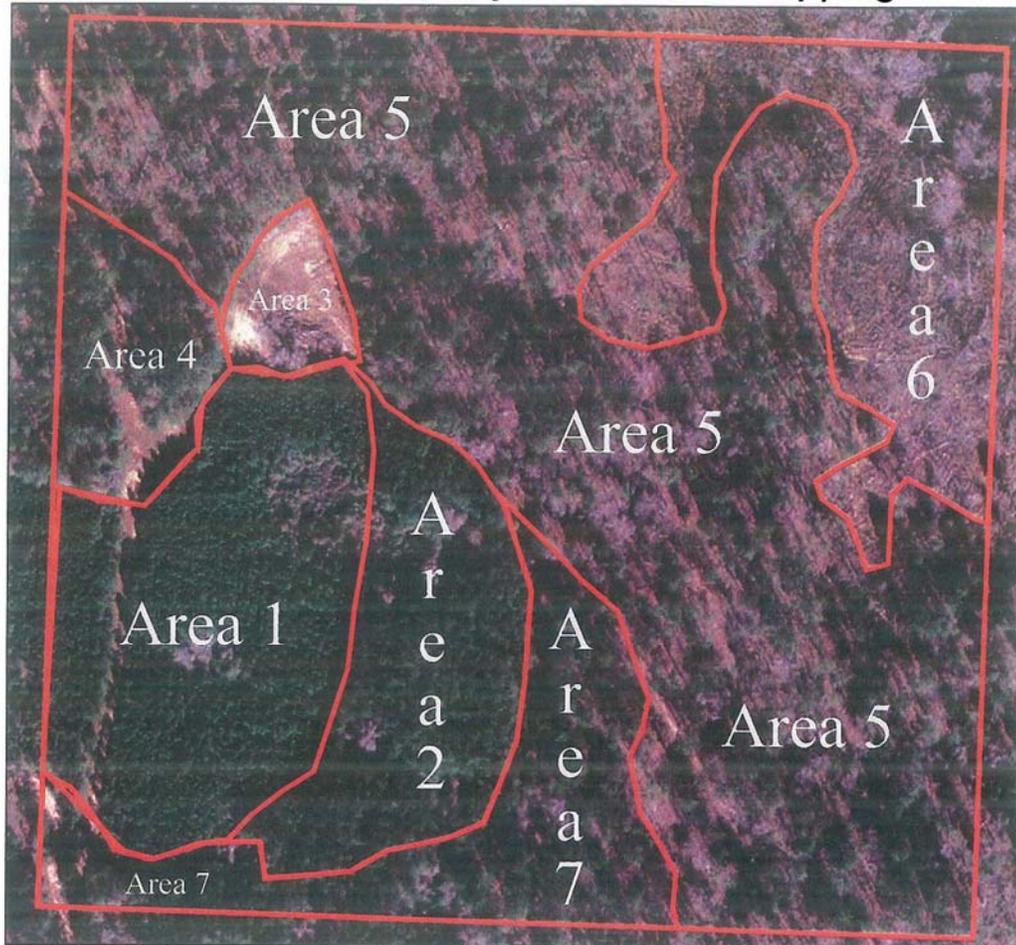
Anonymous Property Pre-Storm Mapping



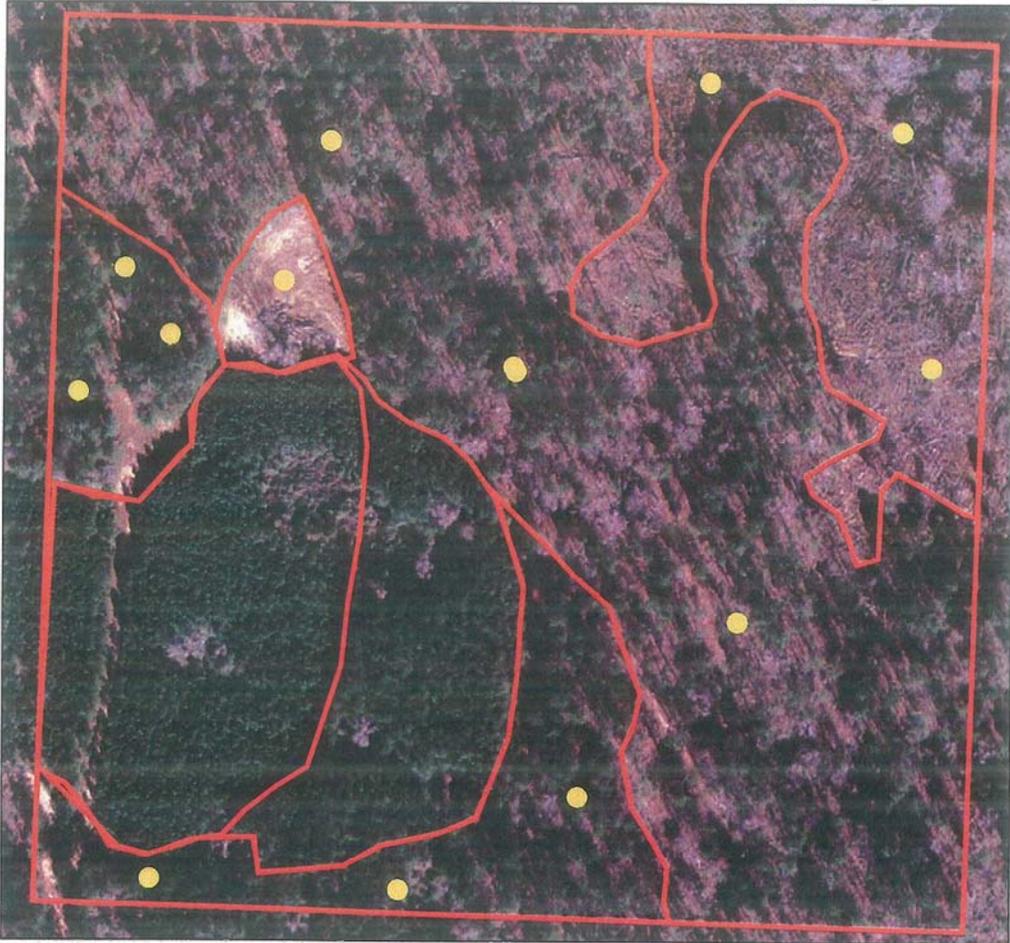
Geo-registration Conflicts

When using readily available imagery that spans different years there will be errors introduced into the mapping product caused by the different geo-registration procedures. Without image processing capacity these errors cannot be corrected with image to image co-registration. The mapping professional will have to make judgmental compensations for the misalignment of the imagery. Currently, ESRI products have the capability to reproject shapefiles on-the-fly. This will compensate for the difference in registration but will not eliminate the difference completely.

Anonymous Property Post-Storm Mapping



Anonymous Property Post-Storm Mapping



Because Area 3 does not have any timber present and has undergone site preparation activity this area poses unique challenges for eligibility determination. Based upon the pre-storm imagery the timber in this area is very similar to Area 4 in size and composition. To derive the pre-storm value of this area it is recommended that the average from the plots taken throughout Areas 4-7 be substituted for the value for Area 3. If the professional forester can identify Areas similar in structure, size, and composition on pre-storm imagery then this procedure can be applied to any similar circumstance where pre-storm stand conditions can not be assessed due to site-preparation activity.

Sampling Procedures

Defensibility of volume and subsequent value computations for the EFCRP program still require more than a haphazard scheme for obtaining these measurements. Damage exhibited by forest stands from hurricanes will vary widely; depending upon the longitudinal distance from the track of the storm, and the increasing latitude reflecting the change from straight line wind effects to microburst and tornadic damage.

Potential Field Mapping Requirements

FSA will provide all the materials necessary for identifying the tract of land in a geo-spatial context. In the event that digital ownership information is not available, it will be necessary to facilitate the pre-storm and post-storm mapping effort with identification of tract boundaries either through on-screen digitizing or by GPS traversing of the tract boundary. Mapping personnel, with all due diligence, will map to the best of their ability the forest stands, power-line and pipe-line rights-of-way, roads, water impoundments, and non-forest areas (including: fields & pastures, logging decks, woods roads, residential areas, etc.). After feature delineation is completed the forested areas will be assigned a unique Area Identification Number starting with One (1) and proceeding through N. These Area Numbers will be marked on the map that will be distributed with the forester packet. Extra care should be taken with tracts that are larger than 500 acres to insure that all the areas are delineated and smaller areas within a larger area are identified and mapped.

Plot Allocation

Tract size is nullified as an impact on plot allocation due to the pre-storm and post-storm mapping of Areas. If the mapped Area is undamaged then plots are not allocated into that Area. Areas that have **suffered damage** the plot locations are determined as follows. Three 1/20th (0.05) acre plots with a radius of 26.3 feet are located in the Area capturing a representative sample of the Area condition. The orientation of these plots can either be in a triangular arrangement relative to some central point; or, if the stand exhibits a linear characteristic such as following a stream then the plots are spread throughout the stand with equidistant spacing.

From the previous photo-mapping illustration, Areas 1 & 2 will not receive any plot allocations. Area 3 receives one (1) plot to verify that the area has been site prepared and to collect the practice suitability information as required for the Form 2-F. Areas 4-7 receive three (3) plots each in the in similar configurations to those depicted in the third illustration. When distributing the plots across an area it is better to maximize the distance between plots eliminating any correlation due to micro-habitat influences. Also, the plots should adequately represent the spatial configuration of the Area in which they are assigned.

Relocation of Plots

Because plot locations are initially assigned from the mapping effort there may be on-site conditions that prevent establishment of the plot at the pre-assigned coordinates. Examples of conditions that might require that the plot be re-located to a proximal location include:

- Hazardous conditions caused by “Jack-strawing” of downed trees
- Plot encompasses a break in the stand continuity created by silvicultural activities
- Natural artifacts (*i.e.* beaver pond) that encroach on the plot
- Other conditions that are not evident on the photograph.

In the event that a plot needs to be re-located from the initially assigned coordinates the forester should exercise caution to insure that the new plot location is representative of the Area conditions and not biased. If a plot is moved it is imperative that the new coordinates be recorded to facilitate audit procedures.

Plot Procedures

Once plot configuration is decided upon based on the scenarios above the actual plot procedures are extremely streamlined to promote rapid installation. Plot center is established with a temporary marker (flagging tied to a stake in the ground). Then starting from North and proceeding in a clockwise direction begin to tally all trees that meet or would have met the 6 inch DBH merchantability requirement. This includes damaged, down, or missing trees based on the presence of stumps or standing snags. Any tree or portion of tree where the distance from plot center to the center of the bole at stump height is less than or equal to 26.3 feet is to be tallied.

Each tally form will incorporate information that allows for tracking and association with individual landowner parcels. Area information that is collected at the tract level is also included in this section as these measurements are performed for the entire tract. Refer to the example **Emergency Forestry Programs Field Tally Sheet** to relate to the information tallied.

The tally sheet records all the data pertinent to completion of the 2-F form. The only significant changes from the previous program effort are the simplification of the tree tally measurements. Tree number is a way of keeping track of the trees as they are measured on the plot. All trees or stumps, snags, or bole remnants are tallied on a plot starting at North and proceeding in a clockwise direction around the plot. Damage ID is a combination code for identifying the species group either Pine or Hardwood and the damage classification either Damaged or Undamaged. Hence, there are only four (4) possible encodings that should be used for Damage ID listed as.

- 1 – Undamaged Pine
- 2 – Damaged Pine
- 3 – Undamaged Hardwood
- 4 – Damaged Hardwood

Finally, DBH (diameter at breast height) is recorded for each tree present. In the event that a stump is present and the bole is missing or damaged and not capable of being measured then the stump diameter is measured and two inches (2”) is subtracted from the stump diameter to obtain the DBH measurement to be recorded.

Products are no longer recorded at the individual tree level. Breakpoints within the diameter distribution are being used for product classification. Those breakpoints are given as.

<u>Pine</u>	<u>DBH</u>	<u>Hardwood</u>	<u>DBH</u>
Pulpwood	5.6 – 7.5	Pulpwood	5.6 – 11.5
Chip&Saw	7.6 – 10.5	Sawtimber	11.6 – up
Sawtimber	10.6 - up		

In addition to the tree measurements that are taken at each plot the latitude and longitude for each plot should be recorded to assist with audit and appellate processes.

Each tally sheet is composed of two pages with all the information necessary to complete the 2-F form recorded. Additionally, there is sufficient space to record observation notes that may prove beneficial for any portion of the enrollment process.

Operational Definitions

FSA Tract ID – This is the number assigned by FSA to identify the parcel within their records system.

County – The County in which the parcel is located.

Forester Name – Identifies the forester that performed the assessment.

Date – The calendar date that the forester visited the tract.

Landowner Information – Lists the pertinent contact information for the landowner.

Area Information Area No. – The unique AREA identifier assigned to the stand during the Mapping process. This number is transferred directly from the Tract map.

N1 Erosion Factor – A binary Yes/No indication of the presence of erosion gullies within the area. This does not include rill erosion in agricultural pastures or fields.

N2 Water Factor – A binary Yes/No indication of the presence of a real or potential threat to water bodies located within the area.

Water Type - An indicator of the presence of permanent water (lakes, ponds, impoundments, or perennial streams) on the parcel.

Area Is? – The areas are defined into broad categories of Non-forested, Pre-Merchantable, and Merchantable Timber according to the following definitions.

Non-forested – Areas are void of timber including pastures, row crop land, pecan orchards, blueberry patches, etc.

Pre-Merchantable – Areas occupied by commercial timber species that are not 5.6 inches DBH or greater.

Merchantable – Areas occupied by commercial timber species that are 5.6 inches DBH or greater.

Existing cover type – Based upon the existing species group composition identify one cover type that represents the Area.

Softwood – Loblolly or Slash Pine is the dominant species occupying greater than 70% of the canopy.

Longleaf – Longleaf Pine is the dominant species occupying greater than 70% of the canopy.

Mixed Pine/Hardwood – Both Pines and Hardwoods are present with neither group occupying more than 70% of the dominant canopy.

Upland Hardwood – Post Oak, White Oak, Red Oak, Hickory, Shortleaf Pine, Eastern Red Cedar occupy more than 70% of the dominant canopy.

Bottomland Hardwood – Species present include Cottonwood, Willow Oak, Water Oak, Live Oak, Swamp Chestnut Oak, Cherrybark Oak, Sweetgum, Sycamore, American Elm, Green Ash, Black Willow, Overcup Oak, Baldcypress, Water Tupelo, Sweetbay, Redbay, Red Maple occupy 70% of the dominant canopy.

N3 Wildlife Factor: Practice Suitability

Sub-Factor A:

- Reforestation of the area with less than 500 softwood trees per acre.
- Reforestation of the area with less than 500 hardwood trees per acre.
- Manage existing area with 30 to 60 ft² of residual basal area per acre.
- Manage existing area with 60 to 80 ft² of residual basal area per acre.
- Reforestation of the area with greater than 500 softwood trees per acre.
- Reforestation of the area with greater than 500 hardwood trees per acre.
- Manage existing area with greater than 80 ft² of residual basal area per acre.

Sub-Factor B:

A binary Yes/No indicating that the overstory for the area will be predominately either Longleaf pine or hardwood in composition.

Sub-Factor C:

A binary Yes/No indicating that wildlife enhancement/conservation measures will be employed on skid trails, loading decks, etc.

N4 Economic Loss Factor: A binary Yes/No from the EFCRP 2F form calculations indicate whether the area meets the 35% economic loss threshold for timber damage.

Sub-Factor A:

Provided economic damage meets or exceeds the 35% threshold indicate the extent of the damage on a percentage basis defined by the breakpoints given.

Sub-Factor B:

Provided economic damage meets or exceeds the 35% threshold indicate the extent of the damage on a dollar per acre basis.

Page 2 of the tally form: All the necessary tally information for completion of the 2F form is recorded here with the addition of a Current Condition check box that indicates in a logical progression the amount of silvicultural activity that has occurred within the Area. As a way of example: If the Area has been salvaged with sufficient residual trees occupying the Area then the salvage box would be checked; if the Area has been clearcut and site prepared with planting not having commenced then the site-prep box should be checked,etc.

In Mississippi the generation of the EFCRP 2F form will be from Microsoft Excel spreadsheet worksheets that mirror the tally sheet. Then applying the necessary computations a final 2F form will be generated. To facilitate those calculations a local volume table and local value table based upon the Timber Mart South prices utilized by EFCRP are included in the last section of this document.

Local Volume/Value Table

For Mississippi, based upon 25,000 individual tree observations with volume and weights computed from profile functions a local volume table was developed. The value for the three product classifications agreed upon for the first EFCRP implementation are provided as well as the evolution of local volume and value tables.

TimberMart South Prices

Product	Price
Pine Sawtimber	\$41.02
Pine Chip&Saw	\$24.46
Pine Pulpwood	\$ 7.11
Hdwd Sawtimber	\$21.62
Hdwd Pulpwood	\$ 6.59

Volume in Green Tons Outside Bark

DBH Class	Pulp		Chip	Saw	Pine
	Hdwd	Pine	Pine	Hdwd	
5	0.0742	0.067			
6	0.1109	0.1103			
7	0.1689	0.1729			

8	0.2373	0.2337	0.2197		
9	0.322	0.2926	0.3106		
10	0.4133	0.353	0.405		
11	0.5063	0.5138		0.4338	0.5288
12	0.612	0.6213		0.5268	0.6727
13	0.7335	0.5605		0.6173	0.8449
14	0.8288	0.9854		0.7396	1.002
15	0.9305	1.1113		0.8897	1.2127
16	1.1021	0.9067		1.0063	1.3586
17				1.2166	1.5859
18				1.364	1.8047
19				1.5451	2.107
20				1.6951	2.1507
21				1.9681	2.459
22				2.1072	2.5931
23				2.2501	3.5185
24				2.6375	2.7871
25				2.8831	4.2008
26				2.8952	3.4448
27				3.6384	4.5669
28				3.1894	4.2545
29				3.3462	6.0973
30				4.9897	5.809

DBH Class	Dollar Value Outside Bark				
	Pulp Hdwd	Pine	Chip Pine	Saw Hdwd	Pine
5	\$ 0.49	\$ 0.48			
6	\$ 0.73	\$ 0.78			
7	\$ 1.11	\$ 1.23			
8	\$ 1.56	\$ 1.66	\$ 5.37		
9	\$ 2.12	\$ 2.08	\$ 7.60		
10	\$ 2.72	\$ 2.51	\$ 9.91		
11	\$ 3.34	\$ 3.65		\$ 9.38	\$ 21.69
12	\$ 4.03	\$ 4.42		\$ 11.39	\$ 27.59
13	\$ 4.83	\$ 3.99		\$ 13.35	\$ 34.66
14	\$ 5.46	\$ 7.01		\$ 15.99	\$ 41.10
15	\$ 6.13	\$ 7.90		\$ 19.23	\$ 49.75
16	\$ 7.26	\$ 6.45		\$ 21.76	\$ 55.73
17				\$ 26.30	\$ 65.05
18				\$ 29.49	\$ 74.03
19				\$ 33.41	\$ 86.43
20				\$ 36.65	\$ 88.22
21				\$ 42.55	\$ 100.87
22				\$ 45.56	\$ 106.37
23				\$ 48.65	\$ 144.33
24				\$ 57.02	\$ 114.33
25				\$ 62.33	\$ 172.32
26				\$ 62.60	\$ 141.31
27				\$ 78.66	\$ 187.34
28				\$ 68.96	\$ 174.52
29				\$ 72.34	\$ 250.11
30				\$ 107.88	\$ 238.28

This form is available electronically.

CCC-770-CRP1 (05-31-07)	U.S. DEPARTMENT OF AGRICULTURE Commodity Credit Corporation	1. State Office Name
		2. County Office Name
		3. Contract Number

**CRP CONTRACT
APPROVAL CHECKLIST**

For any question listed below if the answer is "NO" then "STOP" do not complete the CRP process. Complete all necessary corrective actions needed to update the response with either "YES", or "N/A" before continuing the CRP process.

ACTION	Handbook or Other References	YES	NO	N/A	Date Completed
4. Have redelegations of authority been documented to support permitted actions taken by the CED in regard to CRP?	2-CRP paragraph 34A and Exhibit 1				
5. Has a second party review of all eligibility requirements and maximum rate calculations been conducted?	2-CRP paragraph 253A				
6. For changing a practice under a general signup, has the original offer been accepted, CRP-1 been approved, and EBI score of the new practice equal to or greater than the EBI of the existing practice?	2-CRP paragraphs 240A, 253A				
7. Have participants obtained the catastrophic level of crop insurance or completed an FSA-570?	2-CRP paragraph 88				
8. Do the DCP contract acres, GRP acres, and CRP acres meet the requirement not to exceed cropland on the farm?	2-CRP paragraphs 225 and 253B				
9. Has a conservation plan (CPO) been developed with eligible practices listed on the CRP-1, and signed by all signatories to the CRP-1, NRCS/TSP, Conservation District, and COC/Designee?	2-CRP paragraphs 236, 253 and 255				
10. Have all required signatures been obtained on the CRP-1, CRP-2, and the conservation plan?	2-CRP paragraphs 195C, 198, 236B and 253				
11. Has NEPA, NHPA, ESA, and related acts compliance been documented on NRCS-CPA-52 or State approved equivalent form?	2-CRP paragraph 242F				
12. Does the conservation plan contain all required elements and has it been approved by the COC or designee?	2-CRP paragraph 236B				

If all of the above have been answered "YES", the COC or designee shall approve the CRP-1. If designee is approving, delegation of authority must be on file.

13A. Signature of Preparer	13B. Date (MM-DD-YYYY)
14A. I concur/do not concur the above items have been verified and updated. Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/>	
14B. CED Signature for Spotcheck	14C. Date (MM-DD-YYYY)
15A. I concur/do not concur the above items have been verified and updated. Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/>	
15B. DD Signature for Spotcheck	15C. Date (MM-DD-YYYY)

status, parental status, religion, sexual orientation, genetic information, political beliefs, reprisal, or because all or part of an individual's income is derived from any public assistance program. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD). To file a complaint of discrimination, write to USDA, Director, Office

This form is available electronically.

CCC-770- CRP2 U.S. DEPARTMENT OF AGRICULTURE (05-31-07) Commodity Credit Corporation CRP COST SHARE PAYMENT CHECKLIST	1. State Office Name	2. County Office Name
	3. Contract Number	4. FY of Payment

NOTE: County Office shall ensure that eligibility has been updated according to CCC-770 Eligibility before payments are issued.

For any question listed below if the answer is "NO" then "STOP" do not complete the CRP process. Complete all necessary corrective actions needed to update the response with either "YES", or "N/A" before continuing the CRP process.

ACTION	Handbook or Other References	YES	NO	N/A	Date Completed
5. Is an approved CRP-1 on file?	2-CRP paragraph 496A				
6. Is a completed and signed AD-245, Page 2 on file and initialed by a CCC representative?	2-CRP paragraphs 472, 474, 496 and 1-CONSV paragraph 194A				
7. Is a completed and signed AD-862 (certified by NRCS, TSP, or Participant, as applicable) on file?	2-CRP paragraphs 474 and 475				
8. Are all necessary documents (receipts, seed tags, etc.) on file to properly calculate the cost share payment?	2-CRP paragraph 485				
9. Has the cost-share payment been calculated correctly, including rounding and 2nd party review?	2-CRP paragraphs 482 thru 490 1-CONSV paragraphs 194A				
10. Is the person requesting cost-sharing eligible to receive cost-share?	2-CRP paragraphs 441A and 496A				
11A. Signature of Preparer		11B. Date (MM-DD-YYYY)			
12A. I concur/do not concur the above items have been verified and updated.		Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/>			
12B. CED Signature for Spotcheck		12C. Date (MM-DD-YYYY)			
13A. I concur/do not concur the above items have been verified and updated.		Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/>			
13B. DD Signature for Spotcheck		13C. Date (MM-DD-YYYY)			

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United States
Department of
Agriculture

Farm and Foreign
Agricultural
Services

Farm Service Agency TO:
Deputy Administrator
for Farm Programs

SED's State FSA Offices
Alabama, Florida, Louisiana, Mississippi and Texas

1406 Independence
Ave, SW
Stop 0513
Washington, DC
20250-0513

FROM: Beverly J. Preston
CRP Program Manager

Beverly J. Preston

SUBJECT: Emergency Forestry Conservation Reserve Program (EFCRP) Issues

The Office of Inspector General (OIG) is auditing EFCRP in Mississippi, Texas, and Alabama and has notified us of a number of issues.

Tract-based Offers:

A producer must offer all private non-industrial forestland (PNIF) on his/her tract. There has been some confusion as to whether all PNIF is on a contract due to payment limitation, interests in other programs, and/or later harvest plans. If acreage is considered PNIF of merchantable timber, it must be enrolled in EFCRP.

Thirty-five Loss Calculation:

FSA will not qualify a producer based on the evaluation of a private forester. If a producer personally hires a professional private forester, that forester's recommendations may assist the service forester's opinion or FSA's eligibility determination. However the recommendation is insufficient and can not serve as the basis for an eligibility determination.

Timing of Loss:

When a producer signs the initial portion of the CRP-2F, s/he is indicating the acreage was a merchantable timber stand and PNIF at the time of the hurricane. Signing the CRP-2F is binding and falsely reporting information may jeopardize program benefits. In Hardin County, Texas, a producer clear cut a tree stand prior to the hurricane. Other land was standing, and damaged due to the hurricane and was later clear cut.

Private Residence:

In Hardin County, Texas, a producer attempted to offer acreage including a private residence. If a tract has a house, barn, yard, etc., the acreage is not eligible to be offered.

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SED's State FSA Offices

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Minimum Acreage:

OIG reported that Texas instituted a 10-acre minimum for EFCRP. However, this conflicts with the information provided at the EFCRP training in Memphis and shall be withdrawn.

Wetlands:

Foresters are not required to make a wetland determination. Wetland determinations are made by NRCS. However, the forester is determining if a permanent water body is present on the tract.

Informational copies of this report have been distributed to:

- Administrator, FSA
- Attn: Agency Liaison Officer (3)
- Government Accountability Office (1)
- Office of Management and Budget (1)
- Office of the Chief Financial Officer
- Director, Planning and Accountability Division (1)