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BY THE U.S. GENERAL ACCOUNTING OFFICE

**Fact Sheet For The Chairman, Committee On
Agriculture, Nutrition, And Forestry
United States Senate**

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**Examples Of USDA's Application
Of The \$50,000 Payment Limitation**



**GAO/RCED-86-29FS
OCTOBER 18, 1985**

533676

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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

RESOURCES, COMMUNITY,
AND ECONOMIC DEVELOPMENT
DIVISION

B-220837

The Honorable Jesse Helms
Chairman, Committee on Agriculture,
Nutrition, and Forestry
United States Senate

Dear Mr. Chairman:

On October 4, 1985, you requested that we take a "quick look" at how the Department of Agriculture (USDA) applies the \$50,000 payment limitation to determine whether potential problems may exist in this area. Specifically, your office requested that we identify examples where (1) farmers are receiving more than \$50,000 in total payments, (2) where individuals or other entities were receiving payments but were not actually farming the land, and (3) where more than one individual or other entity are receiving payments on the same farm.

In order to meet your timeframe, we quickly reviewed available documentation on farm program payment recipients and talked with officials from USDA's (1) Office of General Counsel, (2) Agricultural Stabilization and Conservation Service, and (3) Office of Inspector General. We also discussed specific examples with the appropriate Agricultural Stabilization and Conservation Service county executive directors in the respective counties and obtained the supporting documentation from each county office.

In a subsequent meeting with your office on October 10, we discussed three specific examples dealing with your request. As a result of that discussion, your office requested that we provide a written statement on the facts surrounding these examples. Enclosed is the statement you requested.

We should point out that the three examples were obtained based on limited work and we do not maintain that they are representative of national conditions. A much more detailed evaluation of this issue would be needed to determine if the kind of conditions we identified are national in scope. Also, we want to emphasize that USDA officials have stated that the payments made or proposed in the three examples may be proper under current USDA regulations.

(022920)

B-220837

If you would like to discuss this matter further or have any comments, please call me on 275-5138.

Sincerely yours,

A handwritten signature in cursive script, reading "Brian P. Crowley".

Brian P. Crowley
Senior Associate Director

EXAMPLES OF USDA'S APPLICATION
OF THE \$50,000 PAYMENT LIMITATION

EXAMPLE #1PRODUCER RECEIVING MULTIPLE PAYMENTS ON MULTIPLE FARM INTERESTS

Farmer A, a cotton farmer in Bailey County, Texas, owned or jointly owned four farms. In 1984, farmer A had 100-percent ownership of one farm and was joint-owner on a 50/50 basis with his son on three corporate entities.

In 1984, farmer A participated in the cotton program on all four farms. The ASCS county officials determined that the four farms were entitled to a maximum of \$100,000 in farm program payments. Farmer A could receive up to \$50,000 on the one farm he had 100-percent ownership in and an additional \$50,000 could be paid for the three corporate entities farmer A and his son owned on a 50/50 basis. The county officials determined that the three corporate entities would be treated as one for payment purposes because the three farms had the same ownership. As a result, farmer A could receive a total of \$75,000 in payments--\$50,000 for his own farm and \$25,000 for his 50-percent ownership on the three corporate entities.

Subsequently, in November 1984 farmer A reorganized the three corporations. Instead of sharing equally--50/50--with his son on all three corporate entities he reorganized each corporation to share 50/50 with his son on one, his brother on another, and his grand niece on the third. As a result, ASCS determined that the three corporate entities now had separate ownership. As a result of the separate ownership, the ASCS county officials determined that each corporate farm could receive up to \$50,000 in payments for 1985. As a result, farmer A could receive \$50,000 on his own farm and \$25,000 (50 percent ownership) on each of the three incorporated farms. Therefore, farmer A could receive \$125,000 in

total payments on the four farms. It should be pointed out that USDA does not expect final program payments to be made until later this year. According to the county executive director, the paperwork required by ASCS and provided by the farmer indicated that the interests of farmer A, his son, brother, and grand niece were proper. As a result, the ASCS county officials determined that farmer A was legitimately entitled to payments on each of the four farms under current ASCS regulations.

EXAMPLE #2INDIVIDUALS LIVING OUTSIDE THE U.S.
RECEIVING FARM PROGRAM PAYMENTS

Farm program payments totaling \$203,010.66 were made to five partners on a farm in Glenn and Butte counties in California that participated in the 1984 rice program. One partner was a U.S. citizen residing in California and received \$50,000 in payments. The other four partners were non-resident aliens who had permanent addresses in Pakistan. These four received payments totaling \$153,010.66. This is shown below.

<u>Partner</u>	<u>Residence</u>	<u>Farm Share</u>	<u>Farm Payment</u>
Mohammed Aslan Khan	U.S.	25 percent	\$50,000.00
Barket Ali Khan	Pakistan	25 percent	\$50,000.00
Chrag Mohammed Khan	Pakistan	12.5 percent	\$26,505.33
Mohammed Ali Khan	Pakistan	12.5 percent	\$26,505.33
Ashiq Ali Khan	Pakistan	25 percent	\$50,000.00

According to ASCS officials, under current farm program regulations individuals residing in foreign countries can receive farm program payments as long as they have been determined to have a land-owning interest in the particular farm.

EXAMPLE #3SUBDIVIDING FARMS TO MAXIMIZE FARM PAYMENTS ON INDIVIDUAL FARMS

A farm in Colusa, California, with 16,000 acres of rice was being leased by the landlord to 56 tenants, or producers. Eight of the tenants were related to the landlord. In total, these 56 tenants received almost \$1.5 million in farm program payments on this farm in 1984. The total payments would have been higher except for the fact that a number of these tenants received payments on other farms which reduced their payments on this farm. Presented below are the names of the tenants (both individuals and corporations) which had an interest on this farm, their percentage share and their payment on the farm. Also, to the extent we could determine, we identified whether the tenants were related to the landlord.

<u>Landlord</u>	<u>Share Percent</u>	<u>Payment</u>
Zumwalt Farms, Inc.	.3333	0*
 <u>Tenant</u>		
W. J. Azevedo, Inc.	.0086	\$25,396.39
Ray Morrow	.0087	\$25,691.70
Tallentyre Barmann (related to Zumwalt family)	.0169	\$49,906.86
Robert Bedart	.0137	\$40,457.04
David Burrows (related to Zumwalt family)	.0079	\$23,329.22
Jerome Cardosa, Jr.	.0181	0*
Richard Charter	.0149	\$44,000.72
Daniel Charter	.0150	\$39,829.43*
Merrick Cheney	.0286	\$50,000.00
Woodrow Clasby	.0171	\$50,000.00

<u>Tenant</u>	<u>Share percent</u>	<u>Payment</u>
Mal Dunlap	.0052	\$15,355.95
Brian Galentine (related to Zumwalt family)	.0230	\$50,000.00
Mark Galentine (related to Zumwalt family)	.0190	\$50,000.00
Guy George	.0025	\$7,382.68
Fernando Gomes	.0006	\$1,771.82
Frank and Judy Gomes, Inc.	.0064	\$18,899.64
John Immoos	.0069	\$20,376.15
Robert Irwin	.0167	\$49,316.24
Jerry and Carole Farms, Inc.	.0219	\$15,731.32*
Jiroc Farms, Inc.	.0176	\$50,000.00
Joe Kalfsbeek	.0096	\$10,278.23*
Knute Kalfsbeek	.0096	\$10,278.23*
Todd Kalfsbeek	.0097	\$10,278.23*
Ralph and Mattie Keeley (related to Zumwalt family)	.0186	\$50,000.00
Ralph Keeley III (related to Zumwalt family)	.0185	\$50,000.00
Charles Manning	.0295	\$39,754.90*
Ron Kemp	.0294	\$39,757.99*
Kenneth Manning	.0080	\$23,624.53
Massa Farms, Inc.	.0177	\$11,623.52*
Massa and Sons, Inc.	.0039	0*
Jeff Olivera	.0077	\$22,738.64
Packer Farming	.0099	\$29,235.35
Packer Land, Inc.	.0100	\$29,530.66
Donald Peart	.0173	\$50,000.00
Rick Perez	.0117	\$34,550.90
E.J. Perry	.0056	0*
Gerald Perry	.0087	\$12,532.95*
Robert Perry	.0075	\$22,148.02
Darrell Pogue	.0066	\$19,490.26

<u>Tenant</u>	<u>Share percent</u>	<u>Payment</u>
James Polander	.0155	\$45,772.55
L. Glenn Manor	.0034	\$10,040.44
Don Manor	.0034	\$10,040.44
Jim Manor	.0034	\$10,040.44
John Polit	.0290	\$28,718.63*
Sam Polit	.0042	\$12,402.89
Paul Polit	.0042	\$12,402.89
Princeton High School		
Future Farmers of America	.0024	\$7,087.37
Dan Rice	.0017	\$5,020.20
Sharp Farms Trucking, Inc.	.0155	\$45,772.55
J.L. Stober	.0171	\$50,000.00
Joe Tauscher	.0059	\$17,423.09
Francis Eichorn	.0059	\$17,423.09
Greg Weber	.0061	\$18,013.71
Lynn Weber (related to Zumwalt family)	.0061	\$18,013.71
Ralph Zoller	.0067	\$19,785.57
Braly Zumwalt (related to Zumwalt family)	.0274	\$48,911.25*

*Payments would have been higher but these tenants received payments on other farm interests; therefore the payments on this farm had to be reduced so that total payments did not exceed \$50,000.

According to ASCS officials, under current regulations, as long as individuals, partnerships, or corporations are determined to have an interest, through share rent, in the particular farm, they are entitled to farm program payments.









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