



Natural Resources Conservation Service
P.O. Box 2890
Washington, D.C. 20013

SUBJECT: LTP – Progress Review and Revision or
Modification of Active EQIP Contracts

June 9, 2004

TO: State Conservationists
Directors, Caribbean and Pacific Basin Areas

File Code: 300

Action required by August 1, 2004

The Office of Inspector General (OIG) audit survey of the Environmental Quality Incentives Program (EQIP) found that, in many cases, Farm Service Agency's System 36 still shows contract funds as obligated for past years. These obligations have not been rescheduled to current and future years. To correct this problem the Natural Resources Conservation Service (NRCS) will need to take action. It is recognized that field office staff are very busy, but it is essential that this issue be addressed in a timely manner.

As soon as possible, NRCS will review the progress on all active EQIP contracts that have cost-share or incentive payments yet to be paid. By August 1, 2004, following 440-CPM-515.113, NRCS will conduct status reviews on all active EQIP contracts, fiscal years 1997-2003, if the schedule of operations is not being followed or if all required contract provisions are not being met. Every effort must be made to conduct these reviews concurrent with ongoing activities in order to minimize added workload.

By August 1, 2004, as applicable, the designated conservationist will:

- Terminate the contract according to the EQIP Manual, section 515.115. Notify FSA, in writing, of the termination, effective date, and whether refunds and/or liquidated damages are required. If several contracts are terminated this information may be communicated by one notice including a list or table.
- Reschedule practices by making pen and ink changes and initialing the changes. If applicable, extend the contract expiration date by making a pen and ink change on the CCC-1200 and initial and date the change. Provide FSA and the participant(s) with copies of the revised practice schedule and/or CCC-1200.

If you have questions, please contact Steve Mozley, Acting National EQIP Manager.

/S/

JOSE J. ACEVEDO
Deputy Chief for Programs

State Conservationists, et al

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515.113 Compliance with the EQIP Contract

a Procedure

Contract follow-up must be a part of EQIP practice and conservation plan implementation. A contract status review will be completed if the schedule of operations is not being followed or if all required contract provisions are not being followed.

b Required Documentation

The Designated Conservationist will review the contract and document that the provisions of the contract are being followed. If the provisions are being followed, this finding will be documented in the case file and the participant's signature is not required.

The Designated Conservationist will review all contracts with the participants that are due to expire within one year of the expiration date to ensure that all of the scheduled work is completed. If the review findings indicate that the plan of operations and the contract is not on schedule, then the expiration date for the contract shall be extended as appropriate, but no more than a 10-year total contract length. Written notification will be provided to all EQIP participants at least 90 days before the contract expiration date if any remaining contract items need to be completed.

If the provisions of the contract are not being followed, the NRCS Designated Conservationist or designee will document those findings on form NRCS-LTP-13. (*See* CPM Section 515.140). The contract status review will be signed by the Designated Conservationist and the participant. A copy will be provided to the participant, and the original will be placed in the EQIP contract folder.

NRCS will work with the participant to resolve all issues and document all actions that need to be taken to complete the contract, including establishing a timeframe for the participant to comply with the EQIP contract provisions. The document will be signed by both NRCS and the participant (NRCS may use the LTP-13 for this purpose, however, a document specifically dedicated solely to this agreement is recommended). Continued violations will result in termination of the EQIP contract. (*See* CPM Section 515.115).

If the participant cannot or will not complete the contract obligations as previously agreed to, follow the procedure in CPM Section 515.115 for contract termination and CPM Part 515, Subpart E on providing appeal rights.

c Elements to Be Reviewed

Elements to be reviewed should include the following:

- Success of practices and systems completed.
- Operation and maintenance of practices and systems completed.
- Use, whereabouts, and condition of all portable equipment purchased with contract assistance.
- Status of practices not completed.
- Reasons for lack of progress.
- Needs for revision of EQIP plan of operations.
- Violation of the contract.

- Agreement on practices to be implemented next fiscal year.
- Land is still under the producer's control.

d Annual Administrative Verification and Review

For the purposes of verification, NRCS shall randomly select five (5) percent of all participants each year who have certified as being either a:

- Limited Resource Farmer or Rancher.
- Beginning Farmer or Rancher.

In addition, NRCS will conduct verification of all other participants who certify to being either a Limited Resource Farmer or Rancher or Beginning Farmer or Rancher where NRCS receives a complaint or otherwise has information that the certification is incorrect.

These verifications must be completed early enough in the year in order to reobligate any funds from contracts that must be cancelled due to false certification of status.

In order to verify if the participant qualifies as a Limited Resource Farmer or Rancher, the participant must provide the last two years of the IRS Form 1040 filed with the IRS. It is the participant's responsibility to provide all information necessary to verify eligibility.

Certification to be Verified	Requirement
Gross Farm Sales Determination	Gross Farm Sales is defined as: Gross Income entered on IRS Form 1040, Schedule F, in the Farm Income Section. In each of the last two years, <i>determine</i> if the participant's direct or indirect Gross Farm Sales were less than or equal to \$100,000 per year.
Total Household Income Determination	Total Household Income is defined as Adjusted Gross Income (AGI) for all members in the household and is entered on IRS Form 1040, AGI Section. In each of the last two years, determine if the AGI is less than the "County Value." The County Value is calculated as 50% of the County Median Income, or National Poverty level, whichever is greatest. County Median Income value is taken from the county in which the participant resides in. This value can be determined by referring to the self-determination tool on the NRCS website at: Limited Resource Self-Determination Tool .
Beginning Farmer or Rancher	If the participant can provide one IRS Form 1040 from the last ten years that shows the participant did not file an IRS Form 1040, Schedule F, the participant is eligible as a beginning farmer or rancher. The designated conservationist will immediately notify the State Conservationist who will verify the initial findings of any applicant or participant who has been found to falsely certify Limited Resource Producer/Rancher or Beginning Farmer or

Certification to be Verified	Requirement
	<p>Rancher status. If the initial field findings are determined to be correct, immediately and without question refer these findings to the Office of Inspector General.</p> <p>The designated conservationist will terminate any and all approved contracts with a participant who has been found to falsely certify Limited Resource Producer/Rancher or Beginning Farmer or Rancher status.</p>

Exceptions: A letter from a certified public accountant or attorney certifying the participant meets the eligibility requirements may be used in lieu of IRS Form 1040.

NRCS will perform all other administrative spot checks according to the State's quality assurance plan.

e Erroneous Representation, Scheme, or Device

For a participant who is determined to have knowingly taken any of the following actions:

- Adopted any scheme or device that tends to defeat the purpose of the program.
- Made any fraudulent representation.
- Misrepresented any fact affecting a program determination, all of the following shall apply:
 - Not be entitled to contract payments.
 - Have all interest in contracts terminated.
 - Refund payments plus any applicable penalties in accordance with CPM paragraph 515.116(c).

STATUS REVIEW

PRIVACY ACT AND PUBLIC BURDEN STATEMENT

The following statement is made in accordance with the Privacy Act of 1974 (5 USC 552a). This information is used to track contract or agreement progress. The authority for requesting the following information is 7 CFR 701 (ACP); 7 CFR 1410 (CRP); 7 CFR 702 (CRSCP); 7 CFR 624 (EWP); 7 CFR 631(GPCP); 7 CFR 701 (FIP); 7 CFR 631 and 702 (IEQIP); 7 CFR 632 (RAMP); RC&D; 7 CFR 634 (RCWP); 7 CFR 752 (WBP); 7 CFR 636 (WHIP); WQIP; 7 CFR 622 (WPFPP); and 7 CFR 1467 (WRP). Furnishing information is voluntary and will be confidential; however, it is necessary in order to receive assistance.

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1. Date:	2. Contract or Agreement NO.:
3. County:	4. Name and Address:
5. Progress in applying plan:	
6. Revision of plan or modification of contract or agreement needed:	
7. Need for technical assistance:	
8. Land is still under control of the participant: <input type="checkbox"/> YES <input type="checkbox"/> NO	
8 a. If the answer to item 8 is NO, provide explanation:	
9. Signature of Conservationist or Administering Agency:	
Signature: _____	9a. Date: _____
10. Participant Signature:	
Signature: _____	10a. Date: _____