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Sep. 06, 2022

By Christopher Vondracek, Star Tribune (TNS)

The Securities and Exchange Commission has settled charges against CHS Inc. that accused the cooperative of lax oversight, which resulted in a rogue employee fraudulently manipulating freight contracts.

This individual freight trader's actions led to the agriculture firm reporting inflated net profits over five years, including by over 40% in 2017.

CHS said Tuesday it welcomes the resolution.

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discovered Pope had intentionally ballooned the value of rail contracts, including for a 110-car train, that shuttled grain around the country.

From 2014 to 2018, Pope was "solely responsible," according to the SEC, for providing values for both the shuttle contract quantities and values used as derivatives to pay shareholders.

In its order from last Friday, the SEC said CHS provided "insufficient internal accounting controls" into the merchandiser's work.

"No CHS employees were tasked with confirming the accuracy of the information provided by [Pope]," the SEC report said.

The federal agency also credited CHS for self-reporting the misconduct after a vice president first recognized "grossly overstated" values from the trading desk's bid sheet.

Pope told investigators hired by CHS that the valuations were based on his "personal views." Investigators later found "fictitious" contracts.

As previously reported by the Star Tribune, the company overstated pretax profit from 2014 to 2018 by $190 million, roughly a 12% boost from its actual profits $1.6 billion net revenue during that time.

On a restatement with the SEC in 2018, CHS noted that rather than the $127 million in net revenue for 2017, the company actually drew in just over $70 million in profits —an overstatement of 44%.

In addition to firing Pope, the company clawed back incentive compensation from over two dozen employees as a result of the fraud investigation.

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