



U.S. Department of Agriculture  
Office of Inspector General  
Western Region  
Audit Report

FARM SERVICE AGENCY  
DISASTER PAYMENTS TO PRUNE  
PRODUCERS IN CALIFORNIA –  
PRODUCER B

- - -



Report No.  
03006-7-SF  
July 2001



UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF INSPECTOR GENERAL

Western Region

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San Francisco, California 94105

TEL: 415-744-2859 FAX: 415-744-2871



DATE: July 26, 2001

REPLY TO

ATTN OF: 03006-7-SF

SUBJECT: Disaster Payments to Prune Producers in California –  
Producer B

TO: John G. Smythe  
State Executive Director  
California State Office  
Farm Service Agency

ATTN: Jeff Yasui  
Program Specialist

This report presents the results of our audit of Farm Service Agency (FSA) disaster payments made to a prune producer in California. Regulatory provisions allowed producers to receive both FSA disaster payments and RMA indemnities for losses sustained during crop years 1998 and 1999. Initially, we conducted an audit of Risk Management Agency (RMA) prune indemnity payments made to six producers. Of those six, we determined that five had also received disaster payments.

This report covers one of the five producers, whom we are identifying as “producer B.” In our audit of RMA indemnity payments made to producer B (audit no. 05099-05-SF), we identified erroneous data that had been forwarded to FSA from RMA, resulting in an overpayment of \$521 for crop year 1998.

## **BACKGROUND**

FSA administers farm assistance programs through about 2,500 service centers, referred to as county offices. One of these programs, the 1998 Crop Loss Disaster Assistance Program (CLDAP), provided financial assistance to eligible producers for losses suffered due to disasters or weather. Producers were eligible to receive disaster benefits if they suffered crop losses in excess of 35 percent of expected production.<sup>1</sup>

## **OBJECTIVE**

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<sup>1</sup> Expected production for a unit is the historic yield multiplied by the number of planted acres of the crop.

Our objective was to determine if the information on the producer's claim was consistent between RMA and FSA.

## **SCOPE**

During our audit of RMA indemnity payments, we found discrepancies in the production reported by 6 of the 20 producers we selected for review. Because regulatory provisions allow producers to receive both RMA indemnity payments and FSA disaster payments during crop years<sup>2</sup> 1998 and 1999, we reviewed disaster files and found that five of the six producers had also applied for disaster benefits. Producer B is one of the producers who received both RMA and FSA payments.

Audit fieldwork was performed from April through August 2000 at RMA's Davis Regional Office located in Davis, California; the Rain and Hail Insurance Service Inc. office (insurance provider) located in Fresno, California; and the Sutter/Yuba FSA County Office located in Yuba City, California.

This audit was performed in accordance with generally accepted government auditing standards.

## **METHODOLOGY**

To accomplish our objectives and support our findings, we performed the following procedures:

- We compared the producer's disaster application at the Sutter/Yuba FSA County Office with loss records submitted to the insurance provider.
- We interviewed RMA and FSA officials, producer B, handlers, and the insurance provider to resolve discrepancies.

## **FINDING**

In calculating producer B's disaster benefits for crop year 1998, FSA used an incorrect unit structure, an incorrect yield, and overstated acreage amounts. This occurred because FSA relied on data submitted by RMA, which was in error because (1) two optional units had been established based on erroneous data and (2) gross acreage was used instead of the net cropland amount. As a result, producer B received an overpayment of \$521 in 1998 CLDAP payments.

The FSA Disaster Assistance Program handbook states, "for insured crops, units will be downloaded from RMA. CLDAP will use the insured producer's existing unit structure

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<sup>2</sup> A crop year is designated by the calendar year in which the insured crop is normally harvested.

which may include optional units. [Furthermore,] APH yields for insured crops will be...based on RMA data."<sup>3</sup>

For 1998, we determined that total production was correctly accounted for. However, RMA supplied FSA with an incorrect unit structure to determine 1998 CLDAP payments for producer B. This occurred because the insurance provider initially determined that the producer had two optional units (102 and 103), which it later concluded should have been one unit. The insurance provider corrected its records by combining the units into one.

In addition, RMA supplied FSA with an acreage amount that was overstated by 5.2 acres. This occurred because the insurance provider incorrectly used gross acreage (75 acres) instead of the total cropland when determining the insured acreage for units 102 and 103. At our request, FSA measured the cropland and concluded that the acreage should have been 69.8 acres. The insurance provider agreed that 69.8 acres was correct and that the provider had overstated the acreage. Furthermore, incorrect yield amounts were calculated based on the incorrect unit structure and acreage amounts and were subsequently used in determining the 1998 CLDAP payments. As a result of these errors, producer B received an overpayment of \$521 in 1998 CLDAP payments (see exhibits A and B).

**Recommendation No. 1:**

Recover the overpayment of \$521 for units 102 and 103 from producer B.

**FSA Response:**

The California Office has reviewed the finding for producer B and concurs with the finding. The county office will be notified to proceed with collection activities. Collection activity will be based on corrective action taken by RMA or the crop insurance company.

**OIG Position:**

To accept management decision, we will need documentation that producer B was billed for \$521.

**CONCLUSIONS AND REQUIRED AGENCY ACTIONS:**

Your July 23, 2001, response to the draft report has been included as exhibit C of this report. In accordance with Departmental Regulation 1720-1, we will be able to accept your management decision on Recommendation No. 1 when you provide us with documentation that the producer was billed for \$ 521. Please furnish a reply within 60 days describing the corrective action taken or planned and the timeframes for implementation of our recommendation. Please note that the regulation requires a

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<sup>3</sup> 1-DAP, Amend. 12, paragraph 1020(G) dated 3/24/99 and Amend. 9, paragraph 1042(A), dated 2-9-99.

management decision to be reached within a maximum of 6 months from report issuance. Follow your internal agency procedures in forwarding final action correspondence to the Office of the Chief Financial Officer.

We appreciate the assistance and cooperation of your staff during this review.

/s/

SAM W. CURRIE  
Regional Inspector General  
for Audit

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**EXHIBIT A – SUMMARY OF MONETARY RESULTS**

<b>RECOMMENDATION NUMBER</b>	<b>DESCRIPTION</b>	<b>AMOUNT</b>	<b>CATEGORY</b>
1	The producers CLDAP benefit was calculated using erroneous data.	\$ 521	Questioned Costs – Recovery Recommended
<b>TOTAL MONETARY RESULTS</b>		<b>\$ 521</b>	

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**EXHIBIT B – CLAIM COMPUTATION WORKSHEET**

-A- Unit No.	-B- Acreage	-C- Yield	-D- (B x C x .65) Disaster Level	-E- Actual Production	-F- (D - E) Production Loss	-G- Payment Rate <sup>4</sup>	-H- Payment Level <sup>5</sup>	-I- (F x G x H) Projected Payment <sup>6</sup>	-J- (I x .849) Payment Amount
<b>Disaster Calculation Per FSA:</b>									
102	47.0	2.3	70.27	17.0	53.27	\$630	.65	\$ 21,814	\$ 18,520
103	28.0	3.7	67.34	8.1	59.24	\$630	.65	\$ 24,259	\$ 20,596
FSA Totals	75.0			25.1					\$ 39,116
<b>Disaster Calculation Per Audit:</b>									
102 <sup>7</sup>	69.8	3.0	136.11	25.1	111.01	\$630	.65	\$ 45,459	\$ 38,595
<b>Differences:</b>	<b>5.2</b>								<b>\$ 521</b>

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<sup>4</sup> The payment rate for dehydrated prunes as stated on the FSA disaster crop tables for 1998 and 1999 was \$630.

<sup>5</sup> The payment level for insured and noninsurable crops was 65 percent; uninsured crops had a payment level of 60 percent.

<sup>6</sup> Because a specific amount of money was available, national payment factors were established to ensure that disaster-funding allocations were not exceeded. Each producer's projected payments were reduced by a national payment factor of .849 when computing the actual payment amount, see column J.

<sup>7</sup> RMA forwarded an incorrect unit structure reflecting two units to FSA (units 102 and 103) that was used to calculate the 1998 disaster payment. Subsequently, the insurance provider discovered the error and corrected the unit structure by combining units 102 and 103 into one unit (102).

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**EXHIBIT C – FSA’S RESPONSE TO THE DRAFT REPORT**



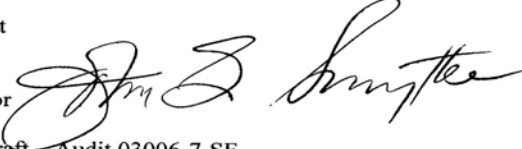
United States  
Department of  
Agriculture

Farm  
Service  
Agency

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July 23, 2001

**TO:** OIG  
Western Region - Audit

**FROM:** John G. Smythe  
State Executive Director 

**SUBJECT:** Response to Official Draft – Audit 03006-7-SF

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The California Office has reviewed the finding for “Producer B” and concurs with the finding. The county office will be notified to proceed with collection activities.

**Note:** Previously, the State Office had informed auditors that collection activity will be based on corrective action taken by RMA or the crop insurance company.

cc: EDSO  
AISCRB  
PA Chron

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