



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

FARM SERVICE AGENCY
CROP DISASTER PROGRAM
PAYMENTS TO PEACH GROWERS
SUTTER/YUBA COUNTY, CALIFORNIA



**Report No.
03099-5-SF
August 2002**



UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF INSPECTOR GENERAL
Western Region - Audit
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DATE: August 29, 2002

REPLY TO
ATTN OF: 03099-5-SF

SUBJECT: CDP Payments to Peach Growers, Sutter/Yuba County, California

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

ATTN: Jeff Yasui
Program Specialist

In July 2000, the California cooperative Tri Valley Growers (TVG) became insolvent, and its members suffered significant losses on four crops—peaches, tomatoes, apricots, and pears. In reviewing the \$6.6 million that the Farm Service Agency (FSA) disbursed to provide financial relief to 248 TVG peach growers (Audit Report No. 03099-4-SF), we determined that ten of these growers also suffered losses due to weather damage, enabling them to apply for assistance from FSA's Crop Disaster Program (CDP). We found that the FSA Sutter/Yuba County Office (county office) disbursed CDP payments of \$27,828 to four ineligible growers and overpayments of \$27,759 to three other growers, totaling \$55,587 in erroneous payments.

BACKGROUND

FSA administers farm assistance programs through approximately 2,650 service centers, referred to as county offices. The programs are designed to support farm income, improve the environment through conservation, and assist eligible growers in obtaining disaster relief. One of these programs, the 2000 CDP, provided financial assistance to eligible growers for losses suffered due to disasters or adverse weather.

OBJECTIVE

The audit objective was to determine whether the correct production amount was used to calculate CDP payments to TVG peach growers who also received relief payments through the Limited California Cooperative Insolvency Payment Program (LCCIPP).

SCOPE

For crop year 2000, the FSA Sutter/Yuba County Office was the only county in California that disbursed CDP payments to TVG growers who also received LCCIPP payments. We reviewed all of these CDP payments which totaled \$120,551, paid to 10 peach growers.

Audit fieldwork was performed in California from May through October 2001 at the State FSA Office located in Davis; Tri Valley Growers corporate office located in San Ramon; and the FSA Sutter/Yuba County Office located in Yuba City.

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

METHODOLOGY

To accomplish our objectives, we performed the following procedures:

- At the county office, we collected grower CDP applications to determine the production reported by the grower.
- We analyzed producer entitlement reports at the county office to determine if TVG assigned production was included in the calculation of CDP payments.
- We obtained TVG contracted production amounts for growers receiving benefits from the CDP.
- We interviewed FSA officials to determine what actions were taken by the State and county office to conform with the CDP Handbook when calculating CDP payments to TVG growers.

FINDING

For crop year 2000, the CDP [] failed to correct CDP payments made to growers who participated in both the CDP and LCCIPP programs. This occurred because [] disregarded State office instructions and the CDP Handbook. As a result, the county office disbursed CDP payments of \$27,828 to four ineligible growers and overpayments of \$27,759 to three other growers, totaling \$55,587 in erroneous payments (see exhibits A and B).

In an e-mail dated April 2, 2001, the State office instructed the CDP [] to "...not issue any CDP payments for producers who are participating in the TVG [LCCIPP] program. You will be advised in a subsequent directive or correspondence how to handle the TVG payment with the CDP." Disregarding these instructions, the following day, on April 3, 2001, the county office disbursed a CDP payment to a grower.

Subsequently, in an April 9, 2001 e-mail, the State office sent an electronic copy of the CDP Handbook amendment¹ to the CDP [] that provided instructions for correctly calculating CDP payments and for correcting previously issued payments to growers who had participated in both the CDP and LCCIPP programs. These instructions advised the county offices to "...assign [TVG] production, revise the [CDP] application in the computer, establish a receivable/claim, and provide a notification letter." On April 11, 2001, a hard copy of the amendment was received by the county office and was filed in the CDP Handbook.

Despite these instructions, we found that the CDP [] (1) failed to correct the April 3, 2001 CDP payment as well as five other previous payments, (2) issued a seventh CDP payment to an ineligible grower on the day the amendment was received, and (3) failed to establish receivables or provide notification letters for these seven erroneous payments. In recalculating CDP payments as the amendment directed, we determined that the county office disbursed CDP payments of \$27,828 to four ineligible growers and overpayments of \$27,759 to three other growers, which totals \$55,587 in erroneous payments.

The CDP [] did not remember receiving either the electronic copy or the hard copy of the amendment. On April 12, 2001, a State office teleconference was held that provided guidance about the amendment to county offices. Even though [] received an e-mail from the State office that specifically requested the presence of CDP [] did not recall the teleconference either.

The CDP [] did not meet [] responsibilities when [] 1) continued to make CDP payments to growers who participated in both the CDP and LCCIPP programs and 2) failed to correct these CDP payments.

FSA should determine whether the 90-day rule² is applicable and what action should be taken on the \$55,587 in erroneous payments to the seven growers. The State office should review the circumstances of the erroneous payments and [] if appropriate.

Recommendation No. 1:

¹ 3-DAP, CA Amendment 3, paragraph 104(D) dated April 9, 2001.

² The Department of Agriculture Reorganization Act of 1994, Section 281, states that the decisions made by the county office "...in good faith...shall be final not later than 90 calendar days after the date of filing of the application for benefits, [and]...no action may be taken...to recover amounts [disbursed in error]...unless the participant had reason to believe that the decision was erroneous."

Make a determination whether the 90-day rule applies and, if not, collect \$55,587 plus interest since the date of disbursement from the seven growers who were erroneously paid.

FSA Response:

FSA concurred with this finding and recommendation. FSA stated that the, “Finality Rule [90-day rule] provisions apply for the overpayments and the County Office will be instructed to provide documentation to the State Executive Director to forgive the overpayments.”

OIG Position:

We accept FSA’s management decision on this recommendation. For final action, the FSA State Executive Director needs to forward documentation to the Office of the Chief Financial Officer (OCFO) that forgives the overpayments.

Recommendation No. 2:

Review the circumstances of the erroneous payments and [], if appropriate.

FSA Response:

FSA concurred with this finding and recommendation. FSA stated that, “the District Director has been instructed to [].”

OIG Position:

We agree with FSA’s corrective action. To achieve management decision, the agency needs to provide us with the date when the CDP [].

CONCLUSIONS AND REQUIRED AGENCY ACTIONS:

Your August 28, 2002, response to the draft report is included as exhibit D of the report. We have accepted your management decision for Recommendation No. 1. To achieve management decision on Recommendation No. 2, the agency will need to provide us with the date when the CDP [].

In accordance with Department Regulation 1720-1, please furnish a reply within 60 days describing the corrective action taken or planned and the timeframes for implementation of those recommendations for which management decision has not yet been reached. Please note that the regulation requires a management decision to be reached on all recommendations within a maximum of 6 months from report issuance.

The OCFO, U.S. Department of Agriculture, has responsibility for monitoring and tracking final action for findings and recommendations. Please note that final action on the finding and recommendations should be completed within 1 year of each management decision. Follow your agency's internal procedures in forwarding final action correspondence to OCFO.

We appreciate the assistance and cooperation of your staff during our audit.

/s/

SAM W. CURRIE
Regional Inspector General
for Audit

EXHIBIT A – SUMMARY OF MONETARY RESULTS

RECOMMENDATION NUMBER	DESCRIPTION	AMOUNT	CATEGORY
1	The FSA Sutter/Yuba County Office made erroneous CDP payments to growers who participated in both the CDP and LCCIPP programs.	\$55,587	Questioned Costs – Recovery Recommended
TOTAL MONETARY RESULTS		\$55,587	

EXHIBIT B – GROWER CLAIM COMPUTATION WORKSHEET

-A- Grower No.	-B- Unit No.	-C- Acres	-D- Yield	-E- (C x D x .65) Disaster Level	-F- Actual and Assigned Production	-G- (E - F) Production Loss	-H- Payment Rate ¹	-I- Payment Level ²	-J- (E x H x I) Payment Amount	
1	CDP Calculation Per FSA:									
	102	9.40	17.38	106.19	46.80	59.39	\$170	.65	\$6,563	
	CDP Calculation Per OIG:									
	102	9.40	17.38	106.19	117.12	0	\$170	.65	\$0	
	Differences:					70.32				\$6,563
	CDP Calculation Per FSA:									
	103	3.90	17.63	44.69	22.10	22.59	\$170	.65	\$2,496	
	CDP Calculation Per OIG:									
	103	3.90	17.63	44.69	48.59	0	\$170	.65	\$0	
	Differences:					26.49				\$2,496
	TOTAL OVERPAYMENTS TO GROWER NO. 1									\$13,956
	2	CDP Calculation Per FSA:								
106		4.90	14.25	45.39	24.60	20.79	\$170	.65	\$2,297	
CDP Calculation Per OIG:										
106		4.90	14.25	45.39	106.23	0	\$170	.65	\$0	
Differences:					81.63				\$2,297	
CDP Calculation Per FSA:										
107		7.90	17.38	89.25	39.60	49.65	\$170	.65	\$5,486	
CDP Calculation Per OIG:										
107		7.90	17.38	89.25	111.77	0	\$170	.65	\$0	
Differences:					72.17				\$5,486	
CDP Calculation Per FSA:										
109		4.10	19.63	52.31	28.60	23.71	\$170	.65	\$2,620	
CDP Calculation Per OIG:										
109	4.10	19.63	52.31	88.89	0	\$170	.65	\$0		
Differences:					60.29				\$2,620	

¹ The payment rate for cling peaches as stated on the FSA disaster crop tables for 2000 was \$170.

² The payment level for insured and noninsurable crops was 65 percent; uninsured crops had a payment level of 60 percent.

EXHIBIT B – GROWER CLAIM COMPUTATION WORKSHEET

-A- Grower No.	-B- Unit No.	-C- Acres	-D- Yield	-E- (C x D x .65) Disaster Level	-F- Actual and Assigned Production	-G- (E - F) Production Loss	-H- Payment Rate	-I- Payment Level	-J- (E x H x I) Payment Amount	
2	CDP Calculation Per FSA:									
	101	2.10	17.38	23.72	19.20	4.52	\$170	.65	\$499	
	CDP Calculation Per OIG:									
	101	2.10	17.38	23.72	56.76	0	\$170	.65	\$0	
	Differences:					37.56				\$499
	CDP Calculation Per FSA:									
	102	5.30	19.10	65.80	23.10	42.70	\$170	.65	\$4,718	
	CDP Calculation Per OIG:									
	102	5.30	19.10	65.80	143.26	0	\$170	.65	\$0	
	Differences:					120.16				\$4,718
TOTAL PAYMENTS TO INELIGIBLE GROWER NO. 2									\$15,620	
3	CDP Calculation Per FSA:									
	101	7.00	14.25	64.84	64.00	.84	\$170	.65	\$93	
	CDP Calculation Per OIG:									
	101	7.00	14.25	64.84	180.11	0	\$170	.65	\$0	
	Differences:					116.11				\$93
	CDP Calculation Per FSA:									
	102	1.30	17.38	14.69	8.40	6.29	\$170	.65	\$695	
	CDP Calculation Per OIG:									
	102	1.30	17.38	14.69	33.45	0	\$170	.65	\$0	
	Differences:					25.05				\$695
TOTAL PAYMENTS TO INELIGIBLE GROWER NO. 3									\$788	
4	CDP Calculation Per FSA:									
	100	34.6	17.63	396.50	303.40	93.10	\$170	.65	\$10,288	
	CDP Calculation Per OIG:									
	100	34.6	17.63	396.50	633.87	0	\$170	.65	\$0	
	Differences:					330.47				\$10,288
	CDP Calculation Per FSA:									
	100	21.8	14.25	201.92	173.10	28.82	\$170	.65	\$3,185	
	CDP Calculation Per OIG:									
	100	21.8	14.25	201.92	399.38	0	\$170	.65	\$0	
	Differences:					226.28				\$3,185

EXHIBIT B – GROWER CLAIM COMPUTATION WORKSHEET

-A- Grower No.	-B- Unit No.	-C- Acres	-D- Yield	-E- (C x D x .65) Disaster Level	-F- Actual and Assigned Production	-G- (E - F) Production Loss	-H- Payment Rate	-I- Payment Level	-J- (E x H x I) Payment Amount	
4	CDP Calculation Per FSA:									
	100	21.8	19.63	278.16	325.70	(47.54)	\$170	.65	(\$5,253)	
	CDP Calculation Per OIG									
	100	23.9	19.63	304.95	437.85	0	\$170	.65	0	
	Differences:					112.15				(\$5,253)
TOTAL PAYMENTS TO INELIGIBLE GROWER NO. 4									\$8,222³	
5	CDP Calculation Per FSA:									
	101	7.70	14.25	71.32	58.20	13.12	\$170	.65	\$1,450	
	CDP Calculation Per OIG									
	101	7.70	14.25	71.32	98.01	0	\$170	.65	\$0	
	Differences:					39.81				\$1,450
	CDP Calculation Per FSA:									
	302	4.1	17.38	46.32	14.20	32.12	\$170	.65	\$3,550	
	CDP Calculation Per OIG:									
	302	4.1	17.38	46.32	66.87	0	\$170	.65	\$0	
	Differences:					52.67				\$3,550
	CDP Calculation Per FSA:									
	303	7.30	17.63	83.65	28.00	55.65	\$170	.65	\$6,150	
	CDP Calculation Per OIG:									
	303	7.30	17.63	83.65	71.52	12.13	\$170	.65	\$1,340	
	Differences:					43.52				\$4,810
TOTAL OVERPAYMENTS TO GROWER NO. 5									\$9,810	
6	CDP Calculation Per FSA:									
	101	4.5	19.63	57.42	31.00	26.42	\$170	.65	\$2,919	
	CDP Calculation Per OIG:									
	101	4.5	19.63	57.42	76.50	0	\$170	.65	\$0	
	Differences:					45.50				\$2,919
	CDP Calculation Per FSA:									
	103	6.70	14.25	62.06	51.80	10.26	\$170	.65	\$1,134	
	CDP Calculation Per OIG:									
	103	6.70	14.25	62.06	61.52	.54	\$170	.65	\$60	
	Differences:					9.72				\$1,074
	TOTAL OVERPAYMENTS TO GROWER NO. 6									\$3,993

³ FSA incorrectly paid the grower \$8,222 instead of \$8,220 on unit 100.

EXHIBIT B – GROWER CLAIM COMPUTATION WORKSHEET

-A- Grower No.	-B- Unit No.	-C- Acres	-D- Yield	-E- (C x D x .65) Disaster Level	-F- Actual and Assigned Production	-G- (E - F) Production Loss	-H- Payment Rate	-I- Payment Level	-J- (E x H x I) Payment Amount
7	CDP Calculation Per FSA:								
	100	12.40	17.63	142.10	113.16	28.94	\$170	.65	\$3,198
	CDP Calculation Per OIG								
	100	12.40	17.63	142.10	207.94	0	\$170	.65	\$0
	Differences:					94.78			
TOTAL PAYMENTS TO INELIGIBLE GROWER NO. 7									\$3,198
TOTAL PAYMENTS TO INELIGIBLE GROWERS AND OVERPAYMENTS									\$55,587

EXHIBIT D – FSA WRITTEN RESPONSE TO THE DRAFT REPORT



United States
Department of
Agriculture

Farm
Service
Agency

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August 28, 2002

TO: Sam Currie, Regional Inspector General
OIG – Western Region Audit

FROM: John G. Smythe
State Executive Director

SUBJECT: Response to Official Draft for Audit 03099-5-SF

The California State Office has reviewed the official draft for the subject audit and concurs with the findings and recommendations, and has taken action as follows:

- Recommendation No. 1: Finality Rule provisions apply for the overpayments and the County Office will be instructed to provide documentation to the State Executive Director to forgive the overpayments.
- Recommendation No. 2: The District Director has been instructed [REDACTED]

cc: PA Chron

AN EQUAL OPPORTUNITY EMPLOYER