



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

Farm Service Agency  
Review of 1999 Crop Disaster Program



Report No.  
03601-38-Te  
July 2001



UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF INSPECTOR GENERAL

Southwest Region - Audit

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DATE: July 13, 2001

REPLY TO

ATTN OF: 03601-38-Te

SUBJECT: Review of 1999 Crop Disaster Program

TO: John T. Fuston  
State Executive Director  
Farm Service Agency

ATTN: Ted Peabody, Jr.  
Chief Program Specialist  
Commodities and Compliance Division  
Farm Service Agency

This report presents the results of our review of the Farm Service Agency's (FSA) administration of the 1999 Crop Disaster Program (CDP) in Texas. The FSA's response to the draft report, dated June 4, 2001, is included as exhibit C with excerpts of the response and the Office of Inspector General's position incorporated into the relevant sections of the report.

We agree with your planned action for Recommendation No. 1, but will need additional documentation to reach management decision.

We are not in agreement with your conclusions on Finding No. 2 that contained Recommendations Nos. 2 and 3. However, your response did prompt us to reconsider these recommendations as presented in the draft report. As a result, we deleted Recommendation No. 3, and revised Recommendation No. 2. Thus, additional information will be needed to reach a management decision on Recommendation No. 2. The information needed to reach management decision on Recommendations Nos. 1 and 2 is set forth in the appropriate sections of the report.

In accordance with Departmental Regulation 1720-1, please furnish a reply within 60 days describing the corrective action taken or planned and the timeframes for implementation of each audit recommendation. Please note that the regulation requires management decisions to be reached on all findings and recommendations within a maximum of 6 months from report issuance and final actions to be taken within 1 year of the management decisions.

John T. Fuston

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We appreciate the courtesies and cooperation extended to us by members of your staff during the audit.

/s/ R. E. Gray  
ROBERT E. GRAY  
Regional Inspector General  
for Audit

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# EXECUTIVE SUMMARY

## FARM SERVICE AGENCY REVIEW OF 1999 CROP DISASTER PROGRAM

REPORT NO. 03601-38-Te

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### RESULTS IN BRIEF

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We performed an audit of the 1999 Crop Disaster Program (CDP). The audit was initiated based on conditions noted during a review (Audit No. 50801-3-KC) of the 1998 Crop Loss Disaster Assistance Program (CLDAP). The primary objective of our review was to determine the propriety of CDP payments, with special emphasis on whether producers correctly reported their production, crop shares, and gross income. This report summarizes the results of our review of CDP payments in four counties in South Texas (see exhibit B).

Our review of pepper, pecan, and cantaloupe crops in Gaines County disclosed that two producers underreported the production on their pepper crops and, thus, overstated the amount of loss suffered under the CDP. As a result, the producers received excessive payments of \$10,860 on 48,454 pounds of the pepper crop.

In addition, we questioned the losses paid to producers on fall-planted watermelons in Hidalgo County since fall watermelon crops are not a normal planting practice for the area. Losses on Hidalgo County watermelon crops reportedly planted in the fall amounted to a total of \$23,235, which would not have been paid if the County Office Committee (COC) had made a complete and proper eligibility determination. For the same reason, we are questioning the validity of CDP payments made in Frio and Duval Counties, totaling \$248,904, on reported losses on fall-seeded watermelons.

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### KEY RECOMMENDATIONS

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We recommend that the Farm Service Agency (FSA) seek recovery of the excessive payments of \$10,860 associated with the unreported production in Gaines County. Further, we recommend the Texas State FSA Office inform county officials in Hidalgo, Duval, and Frio Counties, and other surrounding counties in the South Texas area, of the findings pertaining to the fall watermelons

and instruct the counties to perform more comprehensive research before approving future disaster-related programs.

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## **AGENCY RESPONSE**

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FSA plans to inform the two producers in Gaines County that they received overpayments and establish receivables on the agency's accounting records for the amount of the overpayments. The FSA State Office believes that the 1999 CDP payments on fall-seeded watermelon crops in several South Texas counties were proper. The FSA concluded that the proper eligibility determination was made to approve fall-seeded watermelons as a viable crop in South Texas and eligible for production loss benefits under the CDP program. The FSA conclusion is based on discussions with vegetable specialists in the area and the fact that crop insurance was available on fall-seeded watermelons in three South Texas counties.

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## **OIG POSITION**

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We agreed with the agency action to collect the cited overpayments in Gaines County; however, additional information will be needed to document those actions before a management decision can be reached on Recommendation No. 1. We continue to believe that the CDP program benefits should not have been approved for fall-seeded watermelons in South Texas. However, after further consideration, we recognize that recommending the repayment of such payments could be too punitive on the producers. Payments to producers were based on determinations made by FSA officials using information considered sufficient at the time of approval. Therefore, we deleted the recommendation to collect the CDP payments and revised Recommendation No. 2. Recommendation No. 2, as revised, instructs FSA to inform the applicable counties of the findings in this report and to instruct the counties to perform more comprehensive research before approving future disaster-related programs.

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# INTRODUCTION

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## BACKGROUND

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Program deficiencies noted during a review (Audit No. 50801-3-KC) of the 1998 CLDAP prompted us to perform this review of the CDP.

Public Law 106-60, the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2000, dated October 22, 1999, authorized the CDP and provided \$1.2 billion to assist producers for losses suffered to 1999 crop year crops due to the adverse weather conditions. The Omnibus Consolidated Appropriations Act, 2000, Energy Supplemental Appropriations, dated November 29, 1999, provided an additional \$186 million to the CDP. The CDP compensates producers if their losses exceed 35 percent of historic yields. Producers with eligible losses to noninsurable crops will be compensated at 65 percent of the 5-year average of the National Agricultural Statistics Service price.

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## OBJECTIVE

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The objective of the audit was to determine the propriety of CDP payments, with special emphasis on whether producers correctly reported their production, crop shares, and gross income.

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## SCOPE

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The audit work was performed at the State office and two judgmentally selected county offices. The State of Texas was selected because the largest total (\$196 million) of program eligibility (benefits before application of a national factor) existed in that State. Our selection of Gaines and Hidalgo County Offices located in Seminole and Edinburg, Texas, was based on the size of total CDP payment eligibility and crop diversity in each county. The two counties had the largest amount of payments under the CDP in the State. The large amounts payable on specialty crops, such as vegetables and nuts, was another factor in the selection of the two county offices. We did not perform testing of computer-based data to review sample cases.

The audit fieldwork was conducted from May 19, 2000, through January 21, 2001, at the respective FSA county offices. We reviewed program payments on 1999 crop losses totaling \$388,407 in Gaines County on red pepper, pecan, and cantaloupe crops and \$521,319 in Hidalgo County on watermelon, cantaloupe, and cabbage crops, from the total program benefits totaling \$6.6 million and \$5.4 million paid in each of those respective counties (see exhibit B).

This audit was conducted in accordance with Government auditing standards issued by the Comptroller General of the United States. Accordingly, the audit included such tests of program and accounting records as considered necessary to meet the audit objective.

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## **METHODOLOGY**

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To accomplish the audit objective, we interviewed State and county office personnel, producers, county extension service personnel, and landowners.

Farm records for 1999, as well as prior years, and CDP files were reviewed for the selected producers. We also obtained records from third parties.

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## FINDINGS AND RECOMMENDATIONS

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<b>CHAPTER 1</b>	<b>IMPROPER DISASTER BENEFITS WERE PAID ON INELIGIBLE CROP LOSSES</b>
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Our review of pepper, pecan, and cantaloupe crops in Gaines County disclosed that two producers underreported the production on their pepper crops during the 1999 crop year. As a result, the producers received excessive program payments of \$10,860 on 48,454 pounds of the pepper crop.

In addition, we questioned the losses paid to producers on fall-planted watermelons in Hidalgo County since fall watermelon crops are not a normal planting practice for the area. Losses on Hidalgo County watermelon crops reportedly planted in the fall amounted to a total of \$23,235, which would not have been paid if the COC had made a complete and proper eligibility determination. For the same reason, we are questioning the validity of CDP payments made in Frio and Duval Counties, totaling \$248,904, on reported losses on fall-seeded watermelons. We concluded that the planting of watermelon crops during a time of year when it is not normal to do so would be a managerial decision of each individual producer to accept such a high risk. Program regulations specifically provide that losses resulting from a poor managerial decision are not eligible for program benefits.

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### **FINDING NO. 1**

#### **UNDERREPORTED PRODUCTION INCREASED PROGRAM BENEFITS**

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Incorrect production quantities were used to calculate the CDP benefits paid to producers 1 and 2. The incorrect quantity was used for the computation because the producers did not report the additional information to the county office staff. As a result, producers 1 and 2 received a total of \$10,860 in

excess of the amount that otherwise would have been payable if the correct production quantity had been used.

Regulations state that the actual production will be the total amount of harvested and appraised production on a unit. Also, producers are responsible for providing accurate and complete information and reporting the total amount of production for the crop.<sup>1</sup>

Producer 1 filed Forms CCC-547, 1999 Crop Disaster Program Application, on February 17, 2000, certifying that 177.6 acres of peppers were damaged by high winds and hail. Documents were filed with the applications providing that the total actual production for the producers was 160,164 pounds on the entire 177.6 acres. Total payments of \$40,817 were paid to producer 1 who had a 60-percent interest in the crop, and producer 2 (relative of producer 1) who owned the remaining 40-percent interest.

We verified the reported total actual production of the producers' pepper crops with the buyer, who confirmed that the production actually amounted to 226,618 pounds. Producer 1 informed us that he was not aware that the county office staff had used an incorrect production amount. He understood that all purchases by the buyer had been reported to the county office. Our review of similar production records of other producers with the same type of crop sold to the buyer, and interviews with representatives of the buyers, indicates a summary worksheet detailing all purchases was provided to all producers selling produce to the buyer. This summary worksheet was not on file at the county office for either producer 1 or producer 2. The county office used other sales documents supporting the production amount to compute the disaster assistance payments to producers 1 and 2.

Although the specific sales summary worksheet associated with the sales transactions involving the referenced buyer was used by the county office staff in virtually all other producers' cases for pepper crops, the county office staff did not request such a sales summary sheet from either producer 1 or producer 2. Producer 1 informed us that he could not remember receiving the summary worksheet from the buyer. Producer 1 did confirm that the sales information we obtained from the buyer was correct.

Computation of the disaster payments applicable to producers 1 and 2 using the correct production amount shows that a total of \$10,860 was overpaid (\$6,516 to producer 1 and \$4,344 to

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<sup>1</sup> FSA Handbooks, 2-DAP, amendment 1, paragraphs 100 A and B, dated December 3, 1999, and 1-DAP, amendment 9, paragraphs 1060 A and B, dated February 9, 1999.

producer 2).

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**RECOMMENDATION NO. 1**

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Obtain refunds of the overpayments totaling \$10,860 from producers 1 and 2 for the incorrect reporting of production quantities by the two producers.

**FSA Response**

The agency is in agreement that two producers received erroneous program benefits in Gaines County as a result of underreported production amounts. The response shows that the county office will seek refunds of the overpayments by notifying the producers of the overpayment amount and establishing a receivable in the agency records.

**OIG Position**

We will need documentation that collections were made or receivables have been established for the overpayments cited in Gaines County.

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**FINDING NO. 2**  
**QUESTIONABLE DISASTER**  
**PAYMENTS**  
**ON FALL-SEEDED WATERMELON**  
**LOSSES**

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Disaster losses to fall 1999 watermelon crops may not have been eligible for CDP payments. The questionable payments on watermelons occurred because the COC did not make a proper eligibility determination for fall-seeded watermelon crops. We questioned the propriety of CDP program payments on fall-seeded watermelon losses totaling

\$272,139 in Hidalgo, Frio, and Duval Counties (see exhibit B).

Program regulations state that eligible losses cannot be the result of poor management decisions or poor farming practices.<sup>2</sup>

Based on discussions with several vegetable specialists,<sup>3</sup> watermelon producers and buyers in Hidalgo County and other South Texas counties, we confirmed that watermelons and other similar vine-growing crops (such as cantaloupe and honeydew melons) are rarely grown in the South Texas area in the fall. These individuals also informed us that the practice of planting watermelons or other similar crops in the fall would be a managerial decision by the grower because the chances for a successful crop would be nominal (about 5 to 10 percent). The specialists all described the fall seeding of watermelons as a poor farming practice due to the extreme risk of success for such a practice.

The vegetable specialists listed a number of factors that would classify the planting of fall watermelons in the South Texas area as a poor farming practice. These factors included:

- problems with pests which cannot be controlled economically or in many cases cannot be controlled at all;
- depressed market conditions and prices (crop would not be economical to grow);
- plant disease inherent with the typical fall weather, adverse weather conditions during the growing period;

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<sup>2</sup> FSA Handbooks, 2-DAP amendment 1, paragraph 4 B, dated December 3, 1999, and 1-DAP, amendment 11, paragraph 1020 C, dated March 8, 1999.

<sup>3</sup> Agricultural Economics Specialist, Plant Pathologist and Horticulturist from the Texas Agricultural Extension Service.

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- high probability of cold or freezing temperatures prior to harvest; and
- irrigation at this time of year builds an ideal environment to promote pests and disease.

Based on these factors, vegetable specialists concluded planting fall watermelons in South Texas was extremely risky and a poor farming practice.

The Hidalgo COC made the determination that fall-seeded watermelons totaling \$23,235 would be eligible crop losses for the disaster program. The eligibility determination seemed to be based, in part, on the fact that the State Committee (STC) had established a yield for this crop for disaster program purposes. A former employee of the Hidalgo County FSA Office informed us that the COC did not consider whether fall-seeded watermelon crops were viable crops in the area nor did they discuss other factors when establishing the eligibility of such a crop for disaster program purposes. In essence, they made the assumption that such a crop (fall-seeded watermelons) would be eligible because a yield was established by the STC. However, it should be noted that the STC made its yield determination based, in part, on the recommendation by the Hidalgo COC of the crop's eligibility, the validity of which we are questioning based on our findings herein. It seems apparent that an erroneous determination by the Hidalgo COC led to an erroneous determination by the STC, which the Hidalgo COC used to support its actions.

Our review of documentation at the State office in support of the STC determination of a disaster program yield for fall-seeded watermelons in South Texas (including Hidalgo County) disclosed that the determination was based on incorrect and incomplete information. Specifically, the determination was based, at least in part, on what was interpreted and documented as the recommendations of the COC's in the two South Texas counties of Jim Wells and Duval. The documentation indicated that the COC of two FSA county offices, other than Hidalgo County, had recommended that the fall-seeded watermelon yield be the same as the spring-seeded watermelon crop with a 10- to 20-percent reduction. Further, the documentation indicated the district director discussed the establishment of a fall-seeded watermelon yield with an Extension Service vegetable specialist as well as the personnel at the two county offices. However, our discussions with the vegetable

specialist confirmed that he did not support the practice of fall-seeding watermelons as a good farming practice. He classified it as a poor farming practice with a high risk factor and did not recommend planting fall-seeded watermelons in the South Texas area. Another vegetable specialist informed us that his conversation with a State office program specialist was very explicit with the same recommendation that fall-seeded watermelons was a poor farming practice.

Likewise, Jim Wells County FSA Office personnel informed us that their COC's recommendation for a fall-seeded watermelon yield did not include a reduction from the spring-seeded watermelon yield. That COC had recommended the watermelon yield be set the same regardless of the time of year in which the watermelons would be planted. However, the COC in this county did recommend a yield reduction for fall-seeded watermelons double-cropped behind another crop in the same crop year. Personnel at this county office speculated that the State office staff could have misinterpreted the letter outlining the recommendations and mistakenly applied the yield reduction to all fall-seeded watermelons.

Jim Wells and Duval County FSA Office personnel did not have documentation supporting the yield recommendations of the respective county committees. Personnel at those county offices stated that it was merely based on the personal knowledge and opinions of the county committee members with the concurrence of the county office staff. Additionally, they acknowledged that relatively small acreage amounts of fall-seeded watermelons were historically planted in their respective counties in comparison with spring-seeded watermelons.

Vegetable specialists further confirmed that fall-seeded watermelons are historically very small total acreage in the South Texas area. No explanation was given by the personnel at either of these two county offices to account for the vast acreage differences historically planted in the two different time periods of the year (fall versus spring). Although logical reasoning could indicate the watermelon acreage planted in the fall is directly proportional to the risk factors dictating the viability of growing such a crop at that time of year versus in the spring, neither the STC nor the Hidalgo COC reviewed this subject extensively.

We concluded that it is questionable whether fall-seeded watermelons can be grown in South Texas with reasonable

expectation of a successful harvest. The small historical acreage plantings of watermelons in the fall versus spring plantings in this area provide further evidence in support of such a conclusion.

A relatively small number and amount of CDP payments were paid on 1999 watermelon losses in Jim Wells County. Thus, we did not obtain further payment data for that county office and did not include any questioned amounts from that county in this report. Information about Jim Wells County is presented above because it is referenced in the STC determination as one of the county offices which recommended a yield be established for fall-seeded watermelons.

Review of CDP payment data indicates that a large number of CDP payments were made on watermelon losses in two other South Texas counties (Duval and Frio). Payment data obtained from those two county offices show that CDP benefits totaling \$248,904 were paid on reported disaster losses of fall-seeded watermelon crops. We did not review CDP records in either Frio or Duval Counties. However, we are questioning the propriety of payments on losses to fall-seeded watermelon crops in those counties for the same reason such losses are being questioned in Hidalgo County. As explained above, we question whether the planting of fall-seeded watermelons in South Texas (including the three counties of Hidalgo, Frio, and Duval) is a viable farming practice. Accordingly, we believe losses on such crops are directly associated with the management decision to take the extreme risk of loss related to such a practice.

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## **RECOMMENDATION NO. 2**

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Instruct county office officials in Hidalgo, Duval, and Frio Counties, and other surrounding counties in the South Texas area, of these findings and instruct the counties to perform more comprehensive research before approving future disaster-related programs.

### **FSA Response**

The agency response states that the FSA State Office conducted a review of 1999 CDP payments for losses on fall-seeded watermelons in several South Texas counties. The State office review found that fall-seeded watermelons are historically grown “on a limited basis” in South Texas. The agency’s review further confirmed that substantial increases in fall-seeded watermelon acreages occurred in 1999 for the three counties of Frio, Duval, and Hidalgo. The agency acknowledges that the increased planted acreage of fall-seeded

watermelons in the three counties was abusive in nature but that the intent of these producers was “abuse of the insurance program.” The agency believes that planting of fall-seeded watermelons in South Texas results in a viable crop in normal circumstances. Furthermore, the agency has concluded the fact that crop insurance was available on fall-seeded watermelons for some producers in Frio, Duval, and Hidalgo Counties supports the agency’s conclusion that fall-seeded watermelons were eligible for disaster program benefits. The agency response states the program regulations provide that “the county office was to use the eligibility determination made by Risk Management (RMA) if one had been made.” The agency states that such an eligibility determination was made by RMA “in all cases” in these three counties of South Texas (see exhibit C).

### **OIG Position**

Based on the facts presented in this report, we continue to believe that disaster benefits should not have been paid in the South Texas counties on fall-seeded watermelons. We maintain this position because the vegetable specialists in the area told OIG that fall-seeded watermelons were not a viable crop and would be a poor management decision for producers to perform such a practice. As stated in the General Comments section of this report, crop insurance claims for fall-seeded watermelons are also being reviewed in South Texas. From this review, we will also question RMA’s approval of fall-seeded watermelons in South Texas for the 1999 pilot watermelon insurance program. Notwithstanding whether RMA determined fall-seeded watermelons eligible for the pilot watermelon insurance program, FSA still had the responsibility to approve the crop for the CDP program.

However, after further consideration, we recognize that recommending the repayment of such payments could be too punitive on the producers. Payments to producers were based on determinations made by FSA officials using information considered sufficient at the time of approval. Therefore, we deleted the recommendation to collect the CDP payments and revised Recommendation No. 2. To reach management decision on the revised Recommendation No. 2, we need documentation to show that the applicable counties have been informed of the findings in this report and instructed to perform more comprehensive research for future disaster-related programs.

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## GENERAL COMMENTS

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Crop insurance claims for fall-seeded watermelon losses in Hidalgo County are being reviewed under Audit No. 05601-7-Te for a producer that received about \$7 million in crop insurance proceeds. A portion of these insurance proceeds was paid on reported crop losses on land leased from some of the producers/landowners discussed in this report. The reported CDP losses were paid to landowners on relatively small acreage which was not insured, but which was a part of a large parcel of land on which crop insurance was obtained by the producer whose crop insurance claims are being reviewed under Audit No. 05601-7-Te.

At the completion of our fieldwork, farming and accounting records requested during the crop insurance audit had not been provided to us. The content of those requested records could provide additional reasons for questioning the CDP payments paid to the referenced producers/landowners. Additionally, crop insurance claims for reported losses on fall-seeded watermelons in Frio and Duval Counties are being reviewed under Audit No. 05601-7-Te for producers who have not been identified as being involved in the operations of the above-referenced producers. However, the review is still in process and additional records are needed to complete the review. Therefore, if additional information obtained during Audit No. 05601-7-Te identifies further problems relating to the CDP review, we will provide FSA a written report on those issues.

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## EXHIBIT A – SUMMARY OF MONETARY RESULTS

Finding Number	Recommendation Number	Description	Amount	Category
1	1	Underreported Production Increased Program Benefits	\$ 10,860 A/	Questioned Costs – Recovery Recommended
2	2	Questionable Payments On Fall-Seeded Watermelon Losses	272,139 B/	Questioned Costs – No Recovery
<b>TOTAL</b>			<b>\$282,999</b>	

A/ - The program payments of \$10,860 (\$6,516 + \$4,344) include overpayments to producers 1 and 2, respectively.

B/ - The program payments of \$272,139 (\$23,235 + \$170,632 + \$60,272) include CDP payments in Hidalgo, Frio, and Duval Counties, respectively.

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**EXHIBIT B – COUNTIES AND CROPS REVIEWED**

<b>COUNTY</b>	<b>CROP</b>	<b>NUMBER OF APPLICATIONS REVIEWED</b>	<b>CDP PAYMENTS REVIEWED</b>
GAINES	PEPPER	10	\$206,460
	PECAN	10	91,538
	CANTALOUPE	2	90,409
<b>SUBTOTAL</b>		<b>22</b>	<b>\$388,407</b>
HIDALGO	CABBAGE	10	\$273,603
	CANTALOUPE	5	229,368
	WATERMELON	11	18,348 A/
<b>SUBTOTAL</b>		<b>26</b>	<b>\$521,319</b>
DUVAL	WATERMELON	-	- B/
FRIO	WATERMELON	-	- B/
<b>SUBTOTAL</b>		<b>-</b>	<b>- B/</b>
<b>TOTAL</b>		<b>48</b>	<b>\$909,726</b>

A/ - Although we reviewed CDP payments totaling \$18,348, we questioned total program payments of \$23,235.

B/ - CDP applications in Duval and Frio Counties were not reviewed. However, we questioned the propriety of program payments totaling \$248,904 (\$170,632 + \$60,272). Total program payments questioned for fall watermelons were \$272,139 (\$23,235 + \$170,632 + \$60,272).

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## EXHIBIT C – FSA’S RESPONSE TO DRAFT REPORT



United States  
Department of  
Agriculture

Farm and Foreign  
Agricultural  
Services

Farm Service  
Agency

Texas State FSA  
Office  
PO Box 2800  
College Station, TX  
77841-2800

To: Phillip Sharp, Chief  
Audits, Investigations, State and  
County Review Branch

Date: June 4, 2001

From: John T. Fuston *FOR [Signature]*  
State Executive Director  
for Texas State FSA Office

In reply  
refer to: 7- KJS

Subject: OIG Audit Report No. 03601-38-Te – Review of 1999 Crop Disaster  
Program

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This memorandum outlines the corrective action and responses relating to the above mentioned audit report.

**Finding No. 1** – Incorrect production quantities were used to calculate the CDP benefits paid to producers 1 and 2. Gaines County.

**Corrective Action** – The Gaines County Office will recalculate the CDP payment using the correct production. The county office will establish a receivable and the producer will be notified of the CDP overpayment amount plus interest. This process will be completed by July 1, 2000. *2001.*

**Finding No. 2** – Disaster losses to fall 1999 watermelon crops should not have been eligible for CDP payments.

**Response** – The CDP payments issued for fall 1999 watermelons were reviewed in South Texas Counties. In addition to Duval, Frio, and Hidalgo Counties; Brooks, Cameron, Jim Wells, Kleberg, Starr, Willacy, and Atascosa Counties were also reviewed. The reviews included reviewing planted acreage for watermelons 1995 through 1999. The review indicated that fall watermelons have been produced in the above mentioned counties on a limited basis through 1998. In 1999, the counties indicated very slight increases in most counties, except in Frio, Duval, and Hidalgo. Watermelons were an insurable crop in 1999 for those specific counties. When establishing the yield for fall watermelons in 1998, vegetable specialists were contacted and stated the crop would produce a reduced yield and were normally planted on a limited basis due to the this fact, but they agreed that fall watermelons are a viable crop. After the review it is the position of the Texas State FSA Office that fall watermelons are a viable crop with the reduced yield in normal circumstances. The abuse only occurred in the insured counties of Frio, Duval, and Hidalgo. According to handbook regulations outlined in 2-DAP, the county office was to use the eligibility determination made by RMA if one had been made. In all

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Phillip Sharp, Chief

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of the cases in Frio, Duval, and Hidalgo the eligibility determination was made by RMA. It is apparent by the increase in acreage in these counties that abuse of the insurance program was the intent of these producers. The watermelon insurance program has since been discontinued.

**Corrective Action** – None required.

If we can be of further assistance please do not hesitate to contact the Commodity Compliance Division at (979) 680-5200.

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## ABBREVIATIONS

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CDP	Crop Disaster Program
CLDAP	Crop Loss Disaster Assistance Program
COC	County Office Committee
FSA	Farm Service Agency
STC	State Committee

