



United States
Department of
Agriculture

Farm and Foreign
Agricultural
Services

Risk
Management
Agency

1400
Independence
Avenue, SW
Stop 0801
Washington, DC
20250-0801

INFORMATIONAL MEMORANDUM: COM-15-004

TO: All Approved Insurance Providers
All Risk Management Agency Field Offices
All Other Interested Parties

FROM: Heather Manzano /s/ Heather Manzano 10/27/2015
Deputy Administrator for Compliance

SUBJECT: Risk Management Agency Supplemental Measures Review

BACKGROUND:

The United States Department of Agriculture (USDA), Risk Management Agency (RMA) is required annually, in accordance with Appendix C of the Office of Management and Budget (OMB) Circular No. A-123, Requirements for Effective Estimation and Remediation of Improper Payments dated October 20, 2014, to estimate and report an improper payment rate for the Federal crop insurance program. Further, this Circular requires agencies with high-priority programs to establish annual or semi-annual supplemental measures for reducing improper payments. Supplemental measures are actions for correcting the root causes of improper payments.

OMB classified the Federal crop insurance program as a “high-priority” program when RMA exceeded OMB’s \$750 million threshold in fiscal year (FY) 2014. As a result, RMA is required to post supplemental measures for FY 2015 on PaymentAccuracy.gov, the improper payments website created under Executive Order 13520, Reducing Improper Payments.

RMA established a supplemental measure for acreage discrepancies, which have historically been a significant source of improper payments and can result in overpaid or underpaid premiums, premium subsidy, indemnities, and Approved Insurance Provider (AIP) administrative and operating reimbursements.

To comply with the above mandate, RMA used data mining techniques to extract a list of insureds with acreage discrepancies between the insured acres reported to RMA, and the Cropland acres reported to FSA in RY 2015. This identified approximately 19,000 insureds who reported differences greater than 100 acres. RMA selected a sample of the insureds from this list and chose a minimum of 8 crop policies to no more than 100 crop policies for each AIP to review.

ACTION:

A list of insureds will be provided to each AIP through Hyper Dynamic Reporting Application (HYDRA) to analyze whether any acreage discrepancies exist between the RMA reported acres and the FSA reported acres for RY 2015 and report back their results to RMA.

Notifications were transmitted to each AIP on October 15, 2015. AIPs are to review each policy listed for the 2015 crop year to determine whether their acreage data for crop insurance purposes is correct. If the review identifies an error, the AIP will correct the acreage information for RY 2015. AIPs do not need to report the financial impact of the discrepancy on the spreadsheet but will report through HyDRA the acreage results for each review, whether there was an error, its type, and that acreage corrections were completed. RMA will utilize this information to determine whether the target rate was met and the effectiveness of the supplemental measure.

Please upload your results when reviews have been completed for the entire list of policies by no later than January 15, 2016.

Additional guidance is included in the Frequently Asked Questions (FAQs) attachment.

DISPOSAL DATE:

December 31, 2016

ATTACHMENT

ATTACHMENT

Supplemental Measures Frequently Asked Questions

1. What is a supplemental measure?

Appendix C to Circular No. A-123, *Requirements for Effective Estimation and Remediation of Improper Payments*, requires agencies with high-priority programs to establish annual or semi-annual supplemental measures for reducing improper payments. Supplemental measures are “actions” for correcting the root causes of improper payments and focus on high risk areas within the high-priority programs.

2. Why is RMA required to report supplemental measures?

OMB classified the Federal Crop Insurance Program as a “high-priority” program when RMA exceeded OMB’s \$750 million threshold in fiscal year (FY) 2014 with \$973 million in improper payments. As a result, RMA is required to post supplemental measures for FY 2015 on PaymentAccuracy.gov, the improper payments website created under Executive Order 13520, *Reducing Improper Payments*.

3. What led to RMA selecting acreage data reconciliation as a supplemental measure?

According to OMB guidance, supplemental measures should focus on the main cause of improper payments in the program. Acreage discrepancies have historically been a significant source of improper payments and can result in overpaid or underpaid premiums, premium subsidy, indemnities, and AIP administrative and operating reimbursements. RMA understands that mismatches between RMA and FSA do not always mean that RMA acreage reporting is incorrect. However, by reviewing and correcting some of the large discrepancies, where differences in crop insurance data are not justified, RMA expects to reduce acreage reporting errors and future improper payments.

4. How were the policies for review selected?

Using data mining techniques, RMA extracted a list of insureds with acreage discrepancies between the insured acres reported to RMA and the farmed acres reported to FSA in RY 2015 and identified approximately

19,000 insureds who reported differences greater than 100 acres. RMA selected a sample of the insureds from this list, limiting the sample size from 8 to 100 insureds for each AIP, depending on the size of the AIP. The list of insureds will be provided in Excel spreadsheet format through Hyper Dynamic Reporting Application (HyDRA) to the AIPs to review and determine whether the acreage reported for crop insurance purposes is correct and to report their results back to RMA.

5. What is RMA's supplemental measure target rate and how will it be determined that the rate was met?

As of RY 2014, there were 25,904 Eligible Crop Insurance Contracts* (ECIC) having a 100 acres or more acreage reporting discrepancy between what was reported to RMA and FSA. This means that 2.64% of approximately 980,000 ECICs nationwide had an acreage reporting discrepancy of over 100 acres. RMA's supplemental measurement target is to reduce this percentage from 2.64% to 2.6% for RY 2015. This could equate to a reduction of approximately 400 ECICs with very large acreage discrepancies that are not justified or acceptable. RMA will run the report in June 2016 to determine whether the percentage of contracts with discrepancies greater than 100 acres have decreased.

*An ECIC represents all insured acres for an insured in a county by crop.

6. Why did RMA choose to review only acreage discrepancies greater than 100 acres?

RMA pulled the acreage discrepancies between RMA and FSA for the 2012 - 2014 crop years and sorted them into categories which ranged from acreage discrepancies of 1 to 5 acres to 100 or more acres. A review of the 2012-2014 numbers for all categories revealed that the numbers remain consistent in all categories over the three-year period.

The over 100 acres category is being used for the supplemental measure because RMA believes it would have more financial impact to correct the largest discrepancies with errors. A review of past performance shows that in many cases it is the same insureds reporting the large discrepancies every year. By tackling the insureds with the largest discrepancies first, we hope to make a bigger impact to reducing the improper payment rate.

7. What is the AIP required to do?

The AIPs will determine if a discrepancy exists for RY 2015 records because of an error in reporting for crop insurance purposes. Specifically, the AIPs will review the identified policies for RY 2015 and determine if the acreage reported for crop insurance is correct. If the review identifies an error, the AIP will correct the policy records for RY 2015. For reporting purposes for this review, AIPs do not need to report the financial impact of the discrepancy, only the amount of acres verified, the amount of acres in error (if applicable), the reason the RMA acreage was incorrect, and that necessary corrective actions were complete.

AIP reported acreage (after review)						
RMA NET ACRES	RMA SHORT NET ACRES	RMA PP NET ACRES	RMA acreage adjusted amount	Did AIP correct the acreage (yes-no-n/a)	Error attributable to: producer, adjustor, agent	Comments/ Reason RMA acreage had to be adjusted (see examples in FAQs Question # 7)

Examples of reasons acreage had to be adjusted:

- Planting Dates
- Authorized Signatures
- Share
- Unit Structure
- Land Classification
- Revised Acreage Report
- Insufficient documentation
- Computation error
- Administrative error

The AIPs should upload their spreadsheet results (including AIP acreage reporting responses) to HyDRA so that RMA can determine the effectiveness of the supplemental measure and whether or not RMA met the supplemental measure target rate. Please forward the spreadsheet when the results for the entire sample have been completed.

8. What date should this be completed?

The AIPs should report their sample results back to RMA no later than **January 15, 2016**.

9. Will this reporting be required to support the supplemental measure every year?

RMA will continue the supplemental measure as long as OMB considers the Federal Crop Insurance Program a high-priority program (refer to

question #2). OMB may remove RMA from the high-priority program list if RMA consistently reduces the improper payment estimate below the OMB threshold.

10. Will there be findings issued on the reported acreage discrepancies?

The goal of this effort is to reconcile discrepancies and reduce improper payments. The AIP will make any necessary corrections for RY 2015 and report to RMA that the corrections have been made and there is no longer a discrepancy. Findings will not be issued for policies identified for the supplemental measures when acreage discrepancies have been correctly identified and addressed by an AIP. This report is for purposes of RMA tracking the results of the supplemental measure and determining if RMA met its supplemental measure “target rate”.

14. What tolerances are allowed in these types of situations?

All the acreage errors and their amounts must be reported to RMA on the spreadsheet as directed in question 7. However, tolerances allowed in the LAM for loss situations are also allowed for non-loss situations for making corrections to the policyholder records.

15. What revisions can and cannot be made after the end of insurance period?

See 11-br 6(g) (1). Liability cannot be increased

16. Will the FSA data include the FSA administrative county in the sample?

Yes

17. Are there prevented planting claims included in the sample?

Yes

18. Could there be CAT policies in the sample?

Yes