



U.S. Department of Agriculture



Office of Inspector General
Western Region

Audit Report

Risk Management Agency Adjusted Gross Revenue Program

Report No. 05601-4-SF
January 2007



UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF INSPECTOR GENERAL

Washington, D.C. 20250



January 23, 2007

REPLY TO

ATTN OF: 05601-4-SF

TO: Eldon Gould
Administrator
Risk Management Agency

ATTN: Michael Hand
Deputy Administrator
Risk Compliance

FROM: Robert W. Young /s/
Assistant Inspector General
for Audit

SUBJECT: Adjusted Gross Revenue Program

This report presents the result of our audit of the Risk Management Agency's (RMA) Adjusted Gross Revenue Program. Your December 28, 2006, written response to the draft report is included as exhibit D. Excerpts from your response and the Office of Inspector General's position have been incorporated into the relevant sections of the audit report.

Based on RMA's written response, we accept management decision on Recommendations 1, 2, 3, and 6. Please follow your internal agency procedures in forwarding final action correspondence to the Office of the Chief Financial Officer. In order to reach management decision on Recommendations 4, 5, 7, and 8, please refer to the OIG Position sections of the audit report. Please note that Departmental Regulation 1720-1 requires that a management decision to be reached on all findings and recommendations within a maximum of 6 months from report issuance, and final action to be taken 1 year of each management decision to preclude being listed in the Department's Performance and Accountability Report.

We appreciate the cooperation and assistance given by your staff during the audit.

Executive Summary

Risk Management Agency - Adjusted Gross Revenue Program Audit 05601-4-SF

Results in Brief

The Adjusted Gross Revenue (AGR) Program is a non-traditional crop insurance pilot program that is authorized under the Federal Crop Insurance Act and administered by the Risk Management Agency (RMA) through private insurance providers. Under traditional crop insurance, eligible producers insure their crops against low yields caused by natural disaster such as drought and disease. Under AGR, producers insure their farm revenue against losses caused by both natural disasters and market fluctuations. Since implementation of AGR in 1999, AGR has grown to include 9 providers in 18 States. Since it is a pilot program, we audited AGR to (1) determine if the program had been effectively implemented, (2) ascertain if providers properly issued policies and paid indemnities, and (3) evaluate the adequacy of RMA's internal controls and oversight to ensure the actuarial soundness of the pilot program.

During insurance years 2002 and 2003, 9 providers in 18 States paid AGR indemnities totaling over \$24 million.¹ We reviewed 11 claims paid by 5 providers which totaled \$6.9 million, nearly 29 percent of AGR indemnities paid for the 2 insurance years. Four of five insurance providers we reviewed had either issued policies to ineligible producers or paid indemnities for unsupported loss claims. Providers misunderstood, misinterpreted, or overlooked requirements for obtaining required documents or conducting adequate reviews. Furthermore, RMA's pilot program guidance did not direct it to review individual policyholder files, which allowed the providers' noncompliance to continue undetected and uncorrected. As a result, RMA paid unsupported indemnities that totaled nearly \$2.3 million.

According to regulations, a producer's application for an insurance policy and loss claim can undergo four reviews, as follows.

1. Application review. After a sales agent receives the producer's application, the agent must check the producer's farm report for completeness and accuracy. The agent then forwards the application to an insurance provider.
2. Underwriting review. When the provider receives the application, it must check the documents for completeness and accuracy. In addition, the

¹ These figures are based on summary of business reports dated June 6, 2005. An insurance year is designated by (1) a calendar year if the producer files taxes on a calendar year basis, or (2) a fiscal year if taxes are filed on a fiscal year basis.

provider must conduct a more indepth review that compares the producer's reported allowable income and expenses to supporting records, and ensure that all entries have been made correctly.

3. Loss adjustment review. If the producer files a loss claim, the provider must review the policy again to make certain that all the above information is correct and that the policy contains documents required to support the claim.
4. Quality control review. For loss claims of \$100,000 or more, providers conduct a fourth review, which repeats the underwriting and loss adjustment reviews and also ensures that reported loss year production/revenue is supported by third-party records.

The reviews conducted by insurance providers were not in compliance with RMA regulations. Providers did not ensure that producer applications and/or loss claims were adequately supported nor did they make any effort to obtain the missing documents. Providers either misunderstood, misinterpreted, or overlooked program requirements. Consequently, the providers paid loss claims to producers who were either ineligible for insurance or had loss claims that were not supported with required documentation. In total, the insurance providers incorrectly paid five producers over \$2.3 million (see exhibit A).

During our audit, we reviewed RMA's action to monitor the loss ratios experienced under this pilot program. We also evaluated its monitoring and oversight of this pilot program to ensure the insurance providers' and policyholders' compliance with the pilot program policies and procedures, thereby, ensuring the actuarial soundness of the pilot program. However, we did not evaluate the actuarial soundness of the pilot program. We found that RMA was not aware of the problems and, therefore, could not correct the insurance providers' noncompliance because the Agency did not have procedures to review pilot programs' individual policyholder files. During our audit, RMA's New Program Development Handbook (1997) provided a framework to evaluate pilot programs. This handbook directed RMA to gain an overview of its pilot programs but did not require the Agency to examine policyholder files.²

After our audit, RMA updated the handbook to require the Agency to determine whether inappropriate losses may have occurred in its pilot programs.³ However, the updated handbook does not provide any specific direction about how to make these determinations other than seeking the opinions of regional office and insurance provider personnel. For 2006, RMA

² While RMA does have a process to randomly select some policyholder files from all its programs for review, the sample selection methodology does not guarantee that polices in new programs such as AGR will be selected. As of August 2006, for example, there had been no AGR policies selected.

³ The updated handbook is the Program Development Handbook (2006).

created a second handbook, the Program Evaluation Handbook, that also provides a framework to evaluate pilot programs but does not require the Agency to examine individual policyholder files.

In the absence of policyholder file review requirements, the pilot program evaluation handbooks are not sufficient to ensure that providers comply with RMA pilot program regulations.

To strengthen its control over pilot programs' actuarial soundness and providers' compliance, RMA should put procedures in place to review pilot programs' policyholder files. RMA should also advise insurance providers of their inadequate review practices, which resulted in incorrectly issuing AGR policies and paying indemnities. In addition, RMA should collect the \$2.3 million paid to producers for unsupported AGR claims.

Recommendations in Brief

We recommend that RMA:

- Collect \$2,306,686 paid to five producers for unsupported AGR claims for insurance years 2002 and 2003.
- Issue a manager's bulletin to advise insurance providers of the unacceptable documents that have been used and to clarify what documents are acceptable for substantiating AGR policies and claims.
- Develop and implement procedures to target pilot programs for policyholder file reviews to ensure that the policies and procedures for these pilot programs are being properly and correctly implemented.

Agency Response

In its December 28, 2006, written response to the draft report, RMA concurred with all of the recommendations except for Recommendations 2, 3, 6, and 8. RMA did not agree with Recommendations 2, 3, and 6 because notice was not given to the approved insurance providers within 3 years after the end of the insurance period for recovery of any debt to the Corporation, as mandated by the Agricultural Risk Protection Act of 2000. For Recommendation 8, RMA believed that its current reviews would provide sufficient oversight of the pilot programs. RMA's response is included in exhibit D of this report.

OIG Position

During the audit, we discussed and provided RMA officials with the evidence to collect the unsupported indemnity payments from the insurance providers noted in Recommendations 3 and 6, well within the statute-of-limitations period for collections. However, RMA did not take action at that time to notify the insurance providers of the potential debt resulting from the unsupported indemnity payments. RMA now states that it is no longer able to collect the

unsupported indemnity payment because the statute of limitations had expired. We agree that further action is no longer feasible for Recommendations 3 and 6, and, therefore, we accept RMA's management decision for those recommendations. We will work with RMA to determine if a formal process is necessary during the audit field work to refer potential unsupported indemnity payments to RMA so that timely notification will be provided to insurance providers. OIG also agrees with RMA's management decision on Recommendations 1 and 2.

In order to reach management decision on Recommendation 4, 5, and 7, RMA needs to provide us with the results of its analyses and evaluation of the unsupported indemnity payments and a copy of insurance provider billings, as applicable. For Recommendation 8, RMA needs to provide us a copy of its policies and procedures used to target selected pilot programs for review during the implementation phase of these pilot programs.

Abbreviations Used in This Report

AGR	Adjusted Gross Revenue
IP	Insurance Provider
IRS	Internal Revenue Service
OIG	Office of Inspector General
RMA	Risk Management Agency
USDA	U.S. Department of Agriculture

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Background and Objectives

Background

The Adjusted Gross Revenue (AGR) Program is a non-traditional insurance pilot program that is authorized under the Federal Crop Insurance Act and administered by Risk Management Agency (RMA) through private insurance providers. Under traditional crop insurance, eligible producers insure their crops against low yields caused by natural disasters such as drought and disease. Under AGR, producers insure their farm revenue against losses caused by both natural disasters and market fluctuations.⁴ Since the implementation of AGR in 1999, the number of States participating has increased from 5 to 18. Within these States, nine insurance providers paid indemnities totaling \$24.1 million (\$10.9 million in 2002 and \$13.2 million in 2003) to 283 policyholders.⁵

During the scope of our audit, each AGR insurance provider was required to follow the guidance established in the AGR Pilot Insurance Policy and the AGR Standards Handbook. In addition, each insurance provider was required to adhere to the review procedures outlined in RMA's Manual 14, "Guidelines and Expectations for the Delivery of the Federal Crop Insurance Program."⁶

When a producer applies for AGR insurance, the approved coverage amount (approved AGR) is the lesser of either:

- the average of the producer's historical revenue over a 5-year base period (adjusted to reflect expanding operations when applicable),⁷ or
- the expected revenue, which is calculated based on producer estimates of (1) the commodities to be produced, (2) the number acres of each commodity to be grown, and (3) the predicted market price for each future harvest.

Approved AGR is multiplied by a coverage level (65, 75, or 80 percent) to determine the amount of revenue guaranteed.⁸ Losses are triggered when income for the insurance year falls below the guaranteed revenue. Producers with losses are paid an indemnity equal to the actual revenue loss multiplied by a payment rate of 75 or 90 percent.⁹ Coverage levels and payment rates can

⁴ AGR also allows coverage for income derived from previously uninsured agricultural commodities, incidental amounts of income from the sale of animals and animal products, and aquaculture reared in a controlled environment.

⁵ These figures are based on summary of business reports dated June 6, 2005.

⁶ After our scope period, updated quality control provisions in a new appendix (IV) of the Standard Reinsurance Agreement (2005) replaced Manual 14.

⁷ The base period is five tax years, which begins five consecutive years prior to the year immediately preceding the insurance year (a lag year) for which the approved AGR yield is calculated.

⁸ If an 80-percent coverage level was selected and the approved AGR (adjusted for expenses, if necessary) was \$100,000, the revenue guarantee would be \$80,000 (\$100,000 x .8).

⁹ Any allowable income during the year must be deducted from the revenue guarantee to determine the actual revenue loss. If the revenue guarantee was \$80,000 and the allowable income for the insurance year was \$20,000, the actual revenue loss would be \$60,000 (\$80,000 - \$20,000).

vary based on the number of crops and are selected by the producer before the policy goes into effect.

To determine if the program was operating as prescribed, RMA contracted with a private company in June 2004 to conduct an independent evaluation. In January 2006, the company issued its report which contained several recommendations. For example, the report recommended that only well trained agents sell AGR policies, and that adjustors (1) require the insured to provide sufficient documentation to support its insurance claim, (2) ensure that allocations of revenues and costs are both consistent and measurable, and (3) are trained in the application of generally accepted accounting principles. The company's overall recommendation was that the AGR program be continued as a pilot program with modifications. RMA is currently analyzing the report and will update the AGR policy and handbook after completing its review.

Objectives

Our objectives were to:

- Determine whether the pilot program was effectively and efficiently implemented.
- Evaluate RMA's controls to ensure that insurance providers issued policies and paid indemnities in accordance with regulations.
- Evaluate the adequacy of RMA's internal controls and oversight to ensure the actuarial soundness of the pilot program.

See the Scope and Methodology section at the end of this report for details of our audit methodology.

Findings and Recommendations

Section 1. Policyholder File Reviews

Finding 1

Insurance Providers Did Not Obtain Proper Documents and/or Support for AGR Insurance Applications and Loss Claims

Three of the five providers we reviewed (IP1, IP2, IP3) approved applications without obtaining the required documentation to ensure that producers were eligible for insurance, and three providers (IP1, IP2, IP4) approved loss claims without obtaining required third-party records to substantiate loss claims. Although RMA's procedures required RMA to evaluate new pilot programs such as AGR, they did not require the Agency to conduct policyholder file reviews to ensure the program was operating as prescribed. Lacking such procedures, RMA was not aware that insurance providers were not obtaining the required documents and reviewing applications and loss claims in accordance with Agency rules before approving applications and loss payments (see Finding 2). Without the required documents to support the insured's eligibility or loss claims, indemnities associated with these cases should not have been paid. Our audit determined that RMA paid unsupported indemnities for 5 of the 11 policies we reviewed, totaling nearly \$2.3 million.

A producer's application for an insurance policy and loss claim can undergo four reviews, as follows.

1. Application review. After a sales agent receives the producer's application, the agent must check the producer's farm report for completeness and accuracy. The agent then forwards the application to an insurance provider.¹⁰
2. Underwriting review. When the provider receives the application, it must check the documents for completeness and accuracy. The provider must conduct a more in-depth review that compares the producer's reported allowable income and expenses to supporting records, and ensure that all entries have been made correctly.¹¹
3. Loss adjustment review. If the producer files a loss claim, the insurance provider must review the policy again to make certain that all the above information is correct and that it contains documents required to support the claim.¹²

¹⁰ FCIC-18050, pt 1, pars. 7C(7), 7C(8) and exhibit 1 (effective during insurance years 2002 and 2003). Par. 6 defines a verifier as "an insurance provider authorized by RMA to calculate approved AGR (amount of insurance)." The annual farm report contains both (1) a revenue report that documents allowable income and allowable expenses for the historical base period and (2) the intended commodity report that documents expected revenues for the upcoming insurance year.

¹¹ FCIC-18050, pt 1, pars. 7B(6), 7B(9)a and 6, defines underwriting review (effective during insurance years 2002 and 2003).

¹² FCIC-18050, pt 1, pars. 7B(2) and 7B(6) (effective during insurance years 2002 and 2003).

4. Quality control review. For loss claims of \$100,000 or more, providers conduct a fourth review, which repeats the underwriting and loss adjustment reviews and also ensures that loss year production/revenue is supported by third-party records.¹³

The reviews conducted by insurance providers were not in compliance with RMA regulations because providers did not obtain required documents. Consequently, \$2.3 million of the \$6.9 million in indemnity payments we sampled was paid to 5 producers who were ineligible for insurance and/or had loss claims that were not supported with required documentation.

- Producer A's policyholder file lacked the required documents to determine AGR eligibility, to support its loss claim, and to support third-party verification of reported loss information. Insurance Provider 1 (IP1), therefore, improperly paid the producer's 2002 loss claim of \$645,328.
- Producer B's policyholder file also lacked the required documents to verify AGR eligibility information, to substantiate its loss claim, and to support third-party verification of reported loss information. IP2, therefore, improperly paid the producer's 2002 loss claim of \$554,863.
- Producer C's policyholder file contained incorrect calculations of expected and insurance year revenue for its 2002 loss claim. IP4, therefore, overpaid the producer's 2002 loss claim by \$23,489.
- Producer D's policyholder file did not contain required secondary supporting documents for insurance eligibility determination. IP3, therefore, improperly paid the producer's 2003 loss claim of \$541,902.
- Producer E's policyholder file did not contain required third-party supporting documents for loss claim determination. IP4, therefore, improperly paid the producer's 2003 loss claim of \$541,104.

Providers did not obtain required documents to ensure that producer applications and/or loss claims were properly supported. Below, we detail the deficiencies that were not corrected at each stage of the review process.

¹³ FCIC-14010 "Guidelines and Expectations for Delivery of the Federal Crop Insurance Program," pars. 7A(2) and 7C(5)(c) (effective September 1997 through 2004).

Required Documentation Not Obtained During Application and Underwriting Reviews

IP1, IP2, and IP3, received an insurance policy without the required documentation. Even though sales agents are required to review insurance applications for completeness and accuracy, 3 of the 11 policies we reviewed lacked the documentation to justify the provider's issuance of the policy. The providers did not identify these deficiencies during their subsequent underwriting reviews because they either misunderstood or overlooked the procedures. As a result, providers extended coverage to three producers who were not eligible for AGR insurance.

To be eligible for AGR insurance, producers must submit copies of their farm tax forms for each of the 5 years that were used to determine their AGR expenses and income histories.¹⁴ If they do not file a schedule F, they must submit a substitute.¹⁵ This substitute schedule F must be accompanied by secondary supporting documents (e.g., packinghouse records) that verify the reported income and expenses. Without a schedule F (or substitute with supporting documents) for a tax year, insurance providers cannot accept a producer's reported income and expenses for that year.¹⁶ According to RMA's regulations, producers' policyholder files that lack these documents are not eligible for AGR insurance.

- Missing Schedule F

IP1 did not ensure that the policyholder's file contained the required schedule Fs (or substitute with supporting documents) for the 5-year historical base period. Neither the sales agent's application review nor the insurance provider's underwriting review for producer A ensured that the policyholder's file contained the required schedule Fs (or substitute with supporting documents) for the 5-year historical base period. The provider did not obtain the schedule F because it assumed that an IRS form 1120S (a corporate tax return) that was in the file supported the producer's allowable revenue and expenses. AGR rules, though, require corporations such as producer A to submit both an 1120S and a schedule F (or substitute).¹⁷ The 1120S alone does not allow insurance providers to accurately determine allowable revenue and expenses because it does not itemize these whereas the schedule F (or substitute) does. Since corporations are not eligible for AGR coverage without these documents, producer A was not eligible for insurance coverage for 2002.

¹⁴ FCIC 2001-AGR, "Adjusted Gross Revenue Pilot Insurance Policy," sec. 5(a)2 (dated 2001 but in effect through insurance year 2004). Sec. 1 defines farm tax forms as "IRS income tax forms used to report farm income and expenses, specifically including schedule F."

¹⁵ FCIC-18050, par. 34, item 7 (effective during insurance years 2002 and 2003).

¹⁶ FCIC-18050, par. 16C (effective during insurance years 2002 and 2003).

¹⁷ FCIC-18050, par. 28B(2) (effective during insurance years 2002 and 2003).

- Missing Secondary Supporting Documents

IP2 did not verify that the information on the producer's substitute schedule F was accurate. Producer B's policyholder file had substitute schedule Fs for the 5-year historical base period but not the secondary documents required to support them (e.g., packinghouse records). Neither the application nor the underwriting review noted this deficiency. The provider assumed that producer B's accountant, who prepared the substitute, had done so using secondary supporting documents. Without its own access to these documents, however, IP2 could not verify that the producer's information on the substitute schedule F was accurate. Since producers are not eligible for AGR coverage without secondary documents supporting substitute schedule Fs, producer B was not eligible for insurance coverage for 2002.

In addition, IP3 did not verify that the information on the producer's substitute schedule F was accurate. Producer D's policyholder file did not contain secondary supporting documents. An insurance provider official said that reviewers relied on policy information provided by the sales agent and did not ask for any additional documents. This practice does not comply with AGR policy, which requires providers to check the information forwarded by the sales agent during their underwriting reviews. Without supporting documents for its substitute schedule F, producer D was not eligible for insurance coverage for 2003.

Loss Adjustment Reviews Did Not Ensure Required Documentation Were Obtained

Since the insurance providers (IP1, IP2, and IP3) did not adequately conduct their underwriting reviews, producers A, B, and D were approved for AGR insurance. The producers subsequently filed loss claims. These claims triggered loss adjustment reviews by their respective providers, which covered the same ground as the preceding reviews (application and underwriting) as well as examining documents that supported the loss claim. Again, the providers did not note the above deficiencies. Further, the loss adjustment reviews conducted by IP1 and IP2 did not note that the policyholder files lacked the documents required to substantiate their loss claims.¹⁸

The AGR Standards Handbook requires providers to ensure that all documentation, determinations, and calculations are completed as

¹⁸ Although IP3 did not obtain required supporting documentation during underwriting to substantiate producer D's insured revenue amount, the provider did verify loss year revenues through secondary supporting documents (packinghouse statements).

specified in the handbook, and that all required information is provided. Specifically, corporations must submit a copy of the applicable form 1120 and if a schedule F was not filed with the IRS, a substitute Schedule F form for the insurance year. Insured's who provide a substitute tax form as supporting documentation must provide secondary documentation to verify that the correct amount was reported.¹⁹

IP1's review did not ensure that producer A's loss claim was supported by both a schedule F (or substitute schedule F) and an 1120S (corporate tax return) specific to the loss year—both of these documents were required to substantiate producer A's 2002 revenue loss claim. An IP1 official said that he did not obtain additional documents because he thought the information on producer A's 1120S was sufficient. As discussed above, an 1120S does not itemize revenue and losses, which is necessary to verify an AGR loss claim.

IP2's review did not ensure that producer B's loss claim was substantiated by appropriate secondary supporting documents, which are required in addition to a substitute schedule F specific to the loss year. An insurance provider (IP2) official obtained producer B's ledger to support the 2002 substitute schedule F but the ledger was inadequate because it did not include a required element—the buyers' names who purchased the producer's commodities.²⁰ Without this information, insurance providers cannot verify producers' revenue.

Quality Control Reviews Were Ineffective in Detecting Deficiencies

Insurance providers were required to conduct quality control reviews subsequent to the loss adjustment reviews for their respective policyholders (A, B, C, D, and E) because they submitted loss claims exceeding \$100,000. Manual 14 requires insurance providers, while conducting their quality control reviews, to “verify that all information provided by the policyholder, sales agent, and loss adjuster is true and accurate through whatever means are necessary, including, but not limited to, interviews, field inspections, file reviews, production records from third parties, etc.” Insurance providers must also verify all information used to establish the indemnity.²¹

Four of the five policyholder files contained a review form that had been signed to indicate that the \$100,000 review was completed. An IP3 official

¹⁹ FCIC-18050, pt 1, pars. 7B(2) and 7B(6) 28B(2) 16C (effective during insurance years 2002 and 2003). The AGR Standards Handbook provides guidance for adjusting AGR losses and completing claims for indemnities because the Loss Adjustment Manual does not provide the appropriate instructions for determining and calculating AGR losses.

²⁰ FCIC-18050, pt. 2, par. 16C(3) (effective during insurance years 2002 and 2003).

²¹ FCIC-14010 “Guidelines and Expectations for Delivery of the Federal Crop Insurance Program,” pars. 7A(2) and 7C(5)(c) (effective September 1997 through 2004).

said that there were no documents to show that a \$100,000 review was completed for producer D's loss claim and they completed a more in depth review than the typical \$100,000 review to prepare for an arbitration proceeding. As in the underwriting and loss adjustment reviews, IP1, IP2, and IP3 again did not note that producers' policyholder files lacked the documents required for eligibility and/or loss claims. In addition, IP1, IP2, and IP4 did not verify the information used to establish the producers' indemnities with third-party records.

During its quality control review, IP4 accepted producer E's schedule F as supporting documentation, and did not obtain third-party documentation to substantiate the 2003 revenue loss claim. Since the insurance provider obtained the schedule F directly from the producer, it did not count as a third-party record and therefore did not allow the provider to independently verify the producer's loss claim as required. Accordingly, we questioned producer's E claim.

In their quality control reviews, IP1 and IP2 also did not verify producers' insurance year revenue through required third-party documents such as packinghouse statements. IP1 accepted an 1120S as producer A's third-party verification, but this form was obtained directly from the producer and it does not identify allowable revenue and expenses, which are necessary to verify a loss. IP2 accepted producer B's ledger to substantiate claim information but, since it was the producer's, it does not count as a third-party document.

IP2 also did not verify, as required, that producer C had correctly calculated expected and insurance year revenue for its 2003 loss claim. Producer C calculated expected revenue for each commodity by multiplying the amount of each commodity (e.g., lbs, tons, etc.) to be produced by the price per unit. The producer incorrectly listed the resulting revenue for cherries as \$38,250 rather than \$3,825, thus overstating expected revenue by \$34,425 (this error also overstated guaranteed revenue/adjusted gross revenue). Producer C also made a transposition error on the value of apples listed on the inventory and accounts receivable report, resulting in understated insurance year revenue of \$280. An IP2 official said that these errors were not identified during the quality control review because he was still learning about AGR at the time. However, we concluded that the review was insufficient to catch the mathematical errors made by the producer. As a result, IP2 overpaid producer C \$23,489 (see exhibit C).

RMA program officials agreed with our conclusion that the documentation either contained errors or was not sufficient to justify the issuance of insurance coverage or the subsequent producer loss claims.

In summary, four of the five insurance providers did not ensure that required documents were adequately reviewed during (1) application and underwriting reviews prior to issuing insurance coverage and (2) loss adjustment and quality control claim reviews after loss claims had been filed and prior to paying indemnities. To improve insurance providers' reviews, RMA should issue a manager's bulletin that advises insurance providers of the unacceptable documents that have been used and to clarify what documents are acceptable for substantiating AGR policies and claims. We also recommend that RMA collect the payments for unsupported loss claims, totaling \$2.3 million.

We also noted that during insurance years 2004 through 2006, three of the above producers were approved for AGR insurance and may be ineligible. Two of them were paid indemnity payments totaling approximately \$650,000 (see exhibit B). We did not review these policies because they were outside of the scope of our audit. RMA should examine these policies to determine if they have the documents required to support the producers' insurance coverage and loss amounts.

Recommendation 1

Issue a manager's bulletin to advise insurance providers of the unacceptable documents that have been used and to clarify what documents are acceptable for substantiating AGR policies and claims.

Agency Response.

By December 14, 2007, RMA will issue an Informational Memorandum.

OIG Position.

We accept RMA's management decision on this recommendation.

Recommendation 2

Collect \$645,328 from IP1 for the unsupported 2002 indemnity paid to producer A.

Agency Response.

RMA did not agree to this recommendation because notice was not given to the insurance provider within 3 years after the end of the insurance period.

OIG Position.

We accept RMA's management decision on this recommendation. On January 18, 2006, we discussed and provided RMA with the evidence needed to support the issues and to collect the unsupported indemnity payment from the insurance provider identified in this recommendation. However, this was after December 31, 2005, which was the cutoff date for recovery against the insurance provider under the 3-year statute of limitations mandated by the Agricultural Risk Protection Act of 2000 (ARPA). Therefore, we acknowledge that recovery of the unsupported indemnity payment is no longer feasible.

Recommendation 3

Collect \$554,863 from IP2 for the unsupported 2002 indemnity paid to producer B.

Agency Response.

RMA did not agree to this recommendation because notice was not given to the insurance provider within 3 years after the end of the insurance period.

OIG Position.

According to the provisions for the AGR Program, the insurance year for an AGR policyholder is defined as “a calendar year if you file your taxes on a calendar year basis [or] a fiscal year if you file your taxes on a fiscal year basis.” Producer B filed taxes on a fiscal year basis; for insurance year 2002, producer B’s fiscal year started August 1, 2002, and ended July 31, 2003. Based on the 3-year statute of limitations for recovery against the insurance provider as mandated by the Agricultural Risk Protection Act of 2000 (ARPA), RMA needed to inform the insurance provider of the potential recovery action by July 31, 2006, in order to recover the unsupported payment. On January 18, 2006, we discussed and provided RMA with the evidence needed to support the issues and to collect the unsupported indemnity payment from the insurance provider identified in this recommendation. However, RMA did not provide notice to the insurance provider by the July 31, 2006, cutoff date. Because the statute of limitations cutoff date has expired, we acknowledge that collection of the unsupported indemnity payment is no longer feasible, and, therefore, we accept RMA’s management decision.

Recommendation 4

Collect \$541,902 from IP3 for the unsupported 2003 indemnity paid to producer D.

Agency Response.

RMA conditionally agreed with this recommendation pending further analysis and evaluation. If the Western Regional Compliance Office (WRCO) determines there is a monetary discrepancy in the indemnity payment for producer D, RMA will establish an accounts receivable and collect monies owed from IP3.

OIG Position.

To reach management decision, RMA needs to provide us with the results of its analysis and evaluation of the unsupported indemnity payment and a copy of the billing to IP 3 in the amount of \$541,902 for the 2003 indemnity payment, if appropriate.

Recommendation 5

Collect \$541,104 from IP4 for the unsupported 2003 indemnity paid to producer E.

Agency Response.

RMA conditionally agreed with this recommendation pending further analysis and evaluation. If the WRCO determines there is a monetary discrepancy in the indemnity payment for producer E, RMA will establish an accounts receivable and collect monies owed from IP4.

OIG Position.

To reach management decision, RMA needs to provide us with the results of its analysis and evaluation of the unsupported indemnity payment and a copy of the billing to IP 4 in the amount of \$541,104 for the 2003 indemnity payment, if appropriate.

Recommendation 6

Collect \$23,489 from IP2 to recover the 2002 indemnity overpayment to producer C.

Agency Response.

RMA did not agree to this recommendation because notice was not given to the insurance provider within 3 years after the end of the insurance period.

OIG Position.

According to the provisions for the AGR Program, the insurance year for an AGR policyholder is defined as “a calendar year if you file your taxes on a calendar year basis [or] a fiscal year if you file your taxes on a fiscal year basis.” Producer C filed taxes on a fiscal year basis; for insurance year 2002, producer B’s fiscal year started October 1, 2002, and ended September 30, 2003. Based on the 3-year statute of limitations for recovery against the insurance provider as mandated by ARPA, RMA needed to inform the insurance provider of the potential recovery action by September 30, 2006, in order to recover the unsupported payment. On January 18, 2006, we discussed and provided RMA with the evidence needed to support the issues and to collect the unsupported indemnity payment from the insurance provider identified in this recommendation. However, RMA did not provide notice to the insurance provider by the September 30, 2006, cutoff date. Because the statute of limitations cutoff date has expired, we acknowledge that collection of the unsupported indemnity payment is no longer feasible, and, therefore, we accept RMA’s management decision.

Recommendation 7

Determine if required documents substantiate insurance coverage and loss amounts for insurance years 2004 through 2006, as applicable, for producers B, D, and E.

Agency Response.

RMA conditionally agreed with this recommendation pending further analysis and evaluation. Within the next year, WRCO will open a case and review the insurance coverage and loss amounts for insurance years 2004 through 2006, as applicable for producers B, D, and E. If the WRCO determines there is a monetary discrepancy for any of these producers, RMA will establish an accounts receivable and collect any monies owed from the responsible insurance provider.

OIG Position.

To reach management decision, RMA needs to provide us with the results of its analysis and evaluation and copies of all billings to the insurance providers, as applicable.

Finding 2

RMA Did Not Have Controls to Detect Supporting Documentation Deficiencies in Pilot Programs

RMA program officials were not aware of providers' misapplication or misunderstanding of policy requirements (see Finding 1). While RMA did have general guidance for evaluating pilot programs, this guidance did not establish procedures for RMA to conduct reviews of individual policyholder files. However, since they are new, pilot programs are inherently at risk of not being implemented or carried out as intended. Consequently, without in-depth reviews focused at the policyholder level, RMA increases the risk for errors and improper payments in its pilot programs.

During our audit, RMA's New Program Development Handbook (1997) provided a framework to evaluate pilot programs. This handbook directed RMA to gain an overview of its pilot programs but did not require the Agency to examine individual policyholder files.²² After our audit, RMA updated the handbook to require the Agency to determine whether inappropriate losses may have occurred in its pilot programs.²³ However, the updated handbook does not provide any specific direction about how to make these determinations other than seeking the opinions of regional office and insurance provider personnel. For 2006, RMA created a second handbook, the Program Evaluation Handbook, that also provides a framework to evaluate pilot programs but does not require the Agency to examine individual policyholder files.

In 2004, RMA contracted with an independent company to conduct a comprehensive evaluation of AGR. The company followed RMA's instruction and therefore, did not review policyholder files at insurance provider offices to determine whether providers were properly implementing AGR and did not detect instances of provider noncompliance. In January 2006, the company issued its report which recommended improvements be made to AGR quality control procedures and compliance audits. As a result of this recommendation, RMA has proposed that any company that sells AGR should conduct comprehensive underwriting reviews of at least five percent of AGR policies.

As discussed in Finding 1, however, individual policyholder files provide evidence that some insurance providers are not complying or were not aware that they were not in compliance with RMA regulations. In our review of policyholder files during 2002 and 2003, three of the five insurance providers (IP1, IP2, IP3) we audited did not comply with RMA eligibility determination

²² While RMA does have a process to randomly select some policyholder files from all its programs for review, the sample selection methodology does not guarantee that policies in new programs such as AGR will be selected. As of August 2006, for example, there had been no AGR policies selected for review.

²³ The 2006 handbook is the Program Development Handbook.

requirements.²⁴ Specifically, the providers approved AGR applications without properly obtaining or reviewing required documents to ensure that producers were eligible. In addition, two of the above mentioned providers (IP1, IP2) and another provider (IP4) did not obtain the documents required to substantiate revenues when processing loss claims by the producers. As a result, RMA overpaid indemnities totaling \$2.3 million (see exhibit A).

We discussed this issue with program officials, and they were not aware of the problems providers were having in applying and complying with these policy requirements. In the absence of policyholder file review requirements, the pilot program evaluation handbooks are not sufficient to ensure that providers comply with RMA pilot program regulations. This weakness may affect the actuarial soundness of pilot programs, especially the newer more complicated insurance programs such as AGR. To strengthen its control over pilot programs' actuarial soundness and providers' compliance, RMA should put procedures in place to review pilot programs' policyholder files.

During our exit conference, November 8, 2006, RMA officials stated that they recently changed their selection criteria for conducting random reviews of policyholder files. RMA determined that some AGR policies were not part of the sample because these policies were paid later than traditional insurance policies. Accordingly, RMA revised its selection criteria to include prior year AGR policies so they would have an opportunity of being selected for review.

Recommendation 8

Develop vulnerability or other risk factors for selecting pilot programs for policyholder file reviews and implement procedures to conduct such reviews to ensure that these targeted pilot programs are being properly and correctly implemented.

Agency Response.

RMA will ensure that all AGR policies will have an opportunity to be selected for review beginning with the 2006 National Operations Reviews. Furthermore, RMA will use remedies at their disposal to ensure that the second level reviews of \$100,000 claims are done in a manner that provides verifiable oversight. Additionally, the 2005 Standard Reinsurance Agreement instituted \$500,000 reviews that require RMA staff to evaluate and selectively participate in the adjustment of claims before they are paid. RMA will also stress the need for field staff to give special consideration to pilot program policies as an additional means of evaluating these pilots.

²⁴ In 2002 and 2003 there were nine insurance providers that sold AGR policies.

OIG Position.

As stated in the finding, three of the five insurance providers that we audited misapplied, misunderstood, or did not comply with RMA's eligibility determination requirements for AGR. Furthermore, these deficiencies were not detected and corrected by the insurance providers' underwriting or quality control reviews or by the loss adjustment reviews. Therefore, we are uncertain how the strengthened review process under the 2005 Standard Reinsurance Agreement (SRA), including the second-level \$100,000 claim reviews, will prevent or detect such deficiencies, if the persons performing or responsible for monitoring the reviews are not aware of the correct application of the AGR provisions. In its response, RMA stated that the 2005 SRA also initiated the \$500,000 reviews. RMA also acknowledged that the potential number of the \$500,000 claim reviews far exceeds RMA's current ability to participate in all of these claims, and that "RMA will stress the need for field staff to give special consideration to pilot program policies going forward. . ." Without targeting areas for specific or more in-depth reviews by the insurance providers, loss adjustors, or RMA staff, the chances of detecting similar deficiencies are significantly reduced. As stated earlier, RMA program officials were not aware of the insurance providers' misapplication or misunderstanding of AGR policy requirements. Therefore, such RMA program officials would not be able to provide information in the future "for the field staff to give special consideration to pilot program policies."

In its response, RMA stated that it has modified its National Operations Review (NOR) policy selections to include such AGR policies. However, even under these current procedures, these policyholder file reviews are conducted after the indemnity payments have been issued. We believe that recovery efforts after payments have been issued are more costly in resources and time expended. Given RMA's limited or lack of sufficient resources, we acknowledged at the exit conference that it will not be able to review policyholder files of all pilot programs. Instead, the agency needs to target such reviews for those pilot programs that may pose the greatest risk or vulnerability. Therefore, in order to reach management decision, RMA needs to provide us a copy of its policies and procedures to perform policyholder file reviews of target selected pilot programs during the implementation phase of these pilot programs. In targeting such pilot programs for review, RMA should consider pilot programs that are unusual or complex to ensure that the programs are being implemented in accordance with program guidelines. Such upfront reviews would alert RMA program officials of problems being encountered by the insurance providers as these programs are being implemented and, thereby, allow such officials to provide more timely feedback and guidance to the insurance providers.

Scope and Methodology

During insurance year 2002, AGR was available in 17 States; 782 policies were sold with a liability totaling nearly \$245 million. In 2003, pilot counties from California were added to the program, which increased coverage to counties in 18 States - 970 policies were sold with a liability totaling nearly \$318 million. Within these States, 9 insurance providers paid indemnities totaling \$24.1 million (\$10.9 million in 2002 and \$13.2 million in 2003) to 283 policyholders.²⁵ From this universe, we judgmentally selected 20 indemnity payments, each of which exceeded \$300,000. We reviewed 11 of the 20 indemnity payments. This sample represented the largest claims paid by five of the nine (56 percent) insurance providers. Indemnities paid on the 11 claims totaled \$6,913,276, or nearly 29 percent of AGR indemnities paid for the 2 insurance years.

We performed fieldwork from April 2005 through August 2006. Fieldwork consisted of reviewing eight case files for policyholders in Washington. We also reviewed policyholder files for one producer from each of the following three states; California, Michigan, and Virginia. For insurance year 2002, Washington producers received approximately 76 percent of AGR indemnities. For 2003, Washington and California producers received approximately 81 percent of AGR indemnities.

We conducted fieldwork at RMA's national office in Washington, DC; the RMA Product Development Division in Kansas City, MO; the RMA Davis regional and compliance offices in Davis, CA; and the RMA Spokane regional office in Spokane, WA. We also visited various insurance provider personnel in Spokane, WA; and Clovis, Fresno, and Kingsburg, CA.

To accomplish the audit objectives, we performed the following procedures:

- Reviewed all applicable laws and regulations to gain an understanding of AGR.
- Interviewed RMA's national office, product development division, compliance office and regional personnel to ascertain procedures used to monitor insurance provider compliance with current regulations and to determine how the program could be improved, thereby, ensuring the actuarial soundness of the pilot program.
- Reviewed AGR loss ratios to determine if they were within acceptable ranges, and reviewed RMA's monitoring of the AGR loss ratios.

²⁵ These figures are based on summary of business reports dated June 6, 2005.

- Reviewed and analyzed both RMA and contracted reviews and analyses of AGR to identify problems that arose during the pilot program's implementation period.
- Interviewed insurance provider personnel to determine (1) the cost of providing AGR insurance versus other insurance policies, (2) the procedures used for underwriting and indemnifying policies, and (3) the internal controls used to monitor the program.
- Interviewed insurance adjusters and sales agents to obtain their views of underwriting and adjusting AGR policies and claims, and to determine procedures used to verify documents and information provided by producers.
- Reviewed records of 11 sample indemnities to verify that (1) producers were eligible for AGR insurance, (2) indemnities were properly calculated, and (3) insurance records contained the required documents to support insurance claims.

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

Exhibit A – Summary of Monetary Results

FINDING NUMBER	RECOMMENDATION NUMBER	DESCRIPTION	AMOUNT	CATEGORY
1	2	IP1 paid an indemnity to producer A who was not eligible to participate in the program.	\$645,328	Unsupported Costs - Recovery Recommended
1	3	IP2 paid an indemnity to producer B who was not eligible to participate in the program.	\$554,863	Unsupported Costs - Recovery Recommended
1	4	IP3 paid an indemnity to producer D who was not eligible to participate in the program.	\$541,902	Unsupported Costs - Recovery Recommended
1	5	IP4 paid an indemnity to producer E for a loss claim that was not supported with documentation.	\$541,104	Unsupported Costs - Recovery Recommended
1	6	IP2 inaccurately calculated insured revenue and overpaid producer C.	\$23,489	Questioned Costs - Recovery Recommended
TOTAL MONETARY RESULTS			\$2,306,686	

Exhibit B – Producers with AGR Insurance Outside the Scope of Our Audit

Producer	2004		2005		2006	
	Insured	Indemnity	Insured	Indemnity	Insured	Indemnity
B	Yes	Zero*	Yes	Zero*	No	-----
D	Yes	\$ 189,755	Yes	Zero*	Yes	Zero*
E	Yes	\$ 449,092	Yes	\$ 14,447	No	-----

* Policyholder information reports dated August 2, 2006, showed no indemnity payments being made to producers B and D for insurance year 2005 and no indemnity payments to producer B for insurance year 2004. Indemnity payments will not be issued for insurance year 2006 until after taxes are filed with IRS in 2007.

Exhibit C – Producer C’s 2002 Incorrect Revenue Calculation

Exhibit C – Page 1 of 1

Calculation	Per IP (A)	Per OIG (B)	Difference (A-B)
Approved AGR*	\$ 1,940,750	\$ 1,906,325	\$ 34,425
x Coverage Level	.75	.75	--
= Revenue Guarantee	1,455,563	1,429,744	25,819
- Insurance Year Revenue	1,023,553	1,023,833	<280>
= Revenue Deficiency	432,010	405,911	26,099
x Payment Rate	.90	.90	--
= Indemnity Payment	\$ 388,809	\$ 365,320	\$ 23,489

* Insurance providers calculate approved AGR.

Exhibit D – Agency’s Response



United States
Department of
Agriculture

Risk
Management
Agency

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

TO: Robert W. Young *WUSH*
Assistant Inspector General for Audit
Office of Inspector General *DEC 28 2006*

FROM: Michael Hand *MTH*
Audit Liaison Official

SUBJECT: Office of Inspector General (OIG) Draft Audit Report 05601-04-SF
Adjusted Gross Revenue Program

Outlined below is the Risk Management Agency’s (RMA) response to the subject report.

RECOMMENDATION NO. 1:

Issue a manger’s bulletin to advise insurance providers of the unacceptable documents that have been used and to clarify what documents are acceptable for substantiating AGR policies and claims.

RMA Response:

We concur with this recommendation. By December 14, 2007, RMA will issue an Informational Memorandum. Since this will be a restatement of existing procedures, issuing a Manger’s Bulletin which is reserved for new or modifications to procedures is not appropriate.

RMA requests management decision for this recommendation.

RECOMMENDATION NO. 2:

Collect \$645,328 from Ip1 for the unsupported 2002 indemnity paid to producer A.

RMA Response:

We do not concur with this recommendation. Section 515(b) of the Federal Crop Insurance Act as amended, states the Corporation shall notify in writing an approved insurance provider of any error, omission, or failure to follow Corporation regulations or procedures for which the approved insurance provider may be responsible and which may result in a debt owed the Corporation. This section further states, notice shall be given within 3 years after the end of the insurance period during which the error, omission, or failure is alleged to have occurred, and failure to timely provide the notice required shall relieve the approved insurance provider from the debt owed the Corporation.



Exhibit D – Agency's Response

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In the above recommendation, the end of insurance period for this matter was December 31, 2002, and the time for notification expired on December 31, 2005. For this reason, RMA cannot pursue collection of the above amount.

RMA requests management decision for this recommendation.

RECOMMENDATION NO. 3:

Collect \$554,863 from Ip2 for the unsupported 2002 indemnity paid to producer B.

RMA Response:

We do not concur with this recommendation. Section 515(b) of the Federal Crop Insurance Act as amended, states the Corporation shall notify in writing an approved insurance provider of any error, omission, or failure to follow Corporation regulations or procedures for which the approved insurance provider may be responsible and which may result in a debt owed the Corporation. This section further states, notice shall be given within 3 years after the end of the insurance period during which the error, omission, or failure is alleged to have occurred, and failure to timely provide the notice required shall relieve the approved insurance provider from the debt owed the Corporation. In the above recommendation, the end of insurance period for this matter was December 31, 2002, and the time for notification expired on December 31, 2005. For this reason, RMA cannot pursue collection of the above amount.

RMA requests management decision for this recommendation.

RECOMMENDATION NO. 4:

Collect \$541,902 from Ip3 for the unsupported 2003 indemnity paid to producer D.

RMA Response:

We conditionally agree with this recommendation pending further analysis and evaluation of this matter. Within the next year, the RMA, Western Regional Compliance Office (WRCO) will open a case and review the crop year 2003 indemnity payment made to producer D. If the WRCO determines there is a monetary discrepancy in the indemnity payment for this producer, RMA will establish an accounts receivable and collect any monies owed from the responsible insurance provider. Prior to initiating its review, the WRCO will send a letter of notification of a compliance problem to the responsible insurance provider, and contact your San Francisco Office to request and obtain copies of the audit work papers for this recommendation.

RMA requests management decision for this recommendation.

Exhibit D – Agency's Response

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RECOMMENDATION NO. 5:

Collect \$541,104 from Ip4 for the unsupported 2003 indemnity paid to producer E.

RMA Response:

We conditionally agree with this recommendation pending further analysis and evaluation of this matter. Within the next year, the RMA, Western Regional Compliance Office (WRCO) will open a case and review the crop year 2003 indemnity payment made to producer D. If the WRCO determines there is a monetary discrepancy in the indemnity payment for this producer, RMA will establish an accounts receivable and collect any monies owed from the responsible insurance provider. Prior to initiating its review, the WRCO will send a letter of notification of a compliance problem to the responsible insurance provider, and contact your San Francisco Office to request and obtain copies of the audit work papers for this recommendation.

RMA requests management decision for this recommendation.

RECOMMENDATION NO. 6:

Collect \$23,489 from Ip2 for the unsupported 2002 indemnity paid to producer C.

RMA Response:

We do not concur with this recommendation. Section 515(b) of the Federal Crop Insurance Act as amended, states the Corporation shall notify in writing an approved insurance provider of any error, omission, or failure to follow Corporation regulations or procedures for which the approved insurance provider may be responsible and which may result in a debt owed the Corporation. This section further states, notice shall be given within 3 years after the end of the insurance period during which the error, omission, or failure is alleged to have occurred, and failure to timely provide the notice required shall relieve the approved insurance provider from the debt owed the Corporation. In the above recommendation, the end of insurance period for this matter was December 31, 2002, and the time for notification expired on December 31, 2005. For this reason, RMA cannot pursue collection of the above amount.

RMA requests management decision for this recommendation.

RECOMMENDATION NO. 7:

Determine if required documents substantiate insurance coverage and loss amounts for insurance years 2004 through 2006, as applicable, for producers B, D, and E.

RMA Response:

We conditionally agree with this recommendation pending further analysis and evaluation of this matter. Within the next year, the RMA, Western Regional Compliance Office

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(WRCO) will open a case and review the insurance coverage and loss amounts for insurance years 2004 through 2006, as applicable for producers B, D, and E. If the WRCO determines there is a monetary discrepancy for any of these producers, RMA will establish an accounts receivable, and collect any monies owed from the responsible insurance provider. Prior to initiating its review, the WRCO will send to each responsible insurance provider a letter of notification of a compliance problem, and contact your San Francisco Office to request and obtain copies of the audit work papers for this recommendation.

RMA requests management decision for this recommendation.

RECOMMENDATION NO. 8:

Develop vulnerability or other risk factors for selecting pilot programs for policyholder file reviews and implement procedures to conduct such reviews to ensure that these targeted pilot programs are being properly and correctly implemented.

RMA Response:

As noted in the audit, RMA recognizes that the way producers file their taxes resulted in most if not all Adjusted Gross Revenue (AGR) and AGR Light policies not being included in the sample population for both the 2004 and 2005 crop year random National Program Operations Review (NPOR) policy selections. RMA will rectify this for the 2006 review year by including in the review population all 2005 AGR and AGR Light policies. Although this will create a lag year for these policies, it will ensure that all policies in the combined book of business have an opportunity to be selected for review at some point in time.

As to the development of new risk factors and protocols for reviewing pilot programs, RMA modified the 2005 Standard Reinsurance Agreement (SRA) to strengthen the internal controls over all large claims. The major vulnerability with the AGR policies reviewed by OIG is the size of the liability and associated indemnities and the fact that these policies were not routinely selected for additional oversight during the course of the year. Under the current SRA, these policies would have been subjected to a second level \$100,000 claim review. Although these reviews were required under the previous SRA, the current SRA emphasizes the importance of companies doing them correctly and RMA will use the remedies at our disposal to ensure these reviews are done in a manner that provides verifiable oversight.

Additionally, as a result of previous OIG audit recommendations, the 2005 SRA instituted \$500,000 reviews that require RMA staff to evaluate and selectively participate in the adjustment of claims before they are paid. The number of \$500,000 claims far exceeds RMA's current ability to participate in all of these claims, however, RMA will stress the need for the field staff to give special consideration to pilot program policies going forward as an additional means of evaluating these pilots.

RMA's lack of sufficient resources to effectively monitor a program of this size has been highlighted by repeated attempts to secure additional staff through the appropriations

Exhibit D – Agency's Response

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process. Until additional resources become available, RMA will continue to struggle between the mandate to pilot innovative risk management products and provide effective oversight and evaluation of these products.

RMA requests management decision for this recommendation.

Should you have any questions or require additional information, please contact Alan Sneeringer at (202) 720-8813.

Informational copies of this report have been distributed to:

Government Accountability Office	(1)
Office of Management and Budget	(1)
Office of the Chief Financial Officer	
Director, Planning and Accountability Division	(1)