



U.S. Department of Agriculture

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Office of Inspector General  
Great Plains Region

**Audit Report**

**Risk Management Agency and  
Farm Service Agency  
Zero Acreage Reporting Compliance**

Report No. 50099-51-KC  
March 2007

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UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF INSPECTOR GENERAL

Washington, D.C. 20250



DATE: March 28, 2007

REPLY TO

ATTN OF: 50099-51-KC

SUBJECT: Zero Acreage Reporting Compliance

TO: Eldon Gould  
Administrator  
Risk Management Agency

Teresa C. Lasseter  
Administrator  
Farm Service Agency

ATTN: Michael Hand  
Deputy Administrator for Compliance  
Risk Management Agency

T. Mike McCann  
Director, Operations Review and Analysis Staff  
Farm Service Agency

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

We have completed our review of producers' and approved insurance providers' (AIP) compliance with Federal Crop Insurance Corporation annual crop acreage reporting requirements. Our overall objective was to determine the extent to which the Federal crop insurance program was vulnerable to producers and/or insurance agents who did not report planted acreage to the Risk Management Agency (RMA) to avoid payment of insurance premiums or fees. To accomplish our objective, we compared policy acreage data maintained by RMA with producers' acreage data maintained by the Farm Service Agency (FSA) for the 2002 and 2003 crop years. FSA also has acreage reporting requirements for farm programs it administers. We identified about 60,000 cases where RMA policy records showed no planted acreage, but FSA data showed acres were planted. We reviewed 81 statistically selected producers and identified 42 with valid crop insurance policies<sup>1</sup> and planted acreage that should have been reported as insurable acreage for crop insurance purposes. These insured were not

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<sup>1</sup> There was no evidence on file showing timely cancellation of the policy or coverage.

required to pay any premiums or catastrophic risk protection fees due. We interviewed producers and their agents to determine their reasons for the discrepancies. The audit was conducted in accordance with Government Auditing Standards.

Generally, we found that while some producers (24) or their insurance agents (13) did not report planted acreages to AIPs, the impact on crop insurance premium and fee revenue was immaterial. AIPs denied liability, as allowed by the crop insurance contract basic provisions and no indemnity/loss claims were made on the policies. We also noted that RMA and AIPs did not consider missing and/or incorrect zero acreage reports to be problematic since AIPs could reject insurance liability for those policies by reporting zero or no planted acreage to RMA. Accordingly, neither RMA nor its AIPs had established adequate management controls to determine the propriety of zero acreage reports for crop insurance policies not earning premium or catastrophic risk protection fees. However, as stated earlier, based on the sampled producers, the impact on crop insurance premium and fee revenue was not material.

We believe that RMA needs to reconsider whether a control is needed to identify policies that retroactively report planted acres in the following crop year for acreage and production history purposes. We identified 11 such policies where acreage was retroactively reported as planted and AIPs recorded the acreage and production for the producers' future crop years' actual production history records. For these policies, no loss claims were made for the affected crop years; however, two of the policies did have loss claims in following years that were based, in part, on the retroactive inclusion of the additional crop acreage and production data. This condition allows some producers an advantage to retroactively increase their crop histories without insurance premiums or fees being paid for the prior year.

During the review, we briefed your staff regarding our concerns relative to the absence of a process to identify insurable crop acreage not reported to RMA as required by crop insurance policy provisions. Since this report presents no findings or recommendations, no further action is required by your office.

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

Informational copies of this report have been distributed to:

Administrator, RMA	(5)
Administrator, FSA	
Attn: Agency Liaison Officer	(10)
Government Accountability Office	(1)
Office of Management and Budget	(1)
Office of the Chief Financial Officer	
Director, Planning and Accountability Division	(1)