



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

USDA Implementation of the Agricultural  
Risk Protection Act of 2000



Report No.  
50099-12-KC  
September 2003



UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF INSPECTOR GENERAL

Washington D.C. 20250



DATE: September 30, 2003

REPLY TO  
ATTN OF: 50099-12-KC

SUBJECT: USDA Implementation of the Agricultural Risk Protection Act of 2000

TO: Ross J. Davidson, Jr.  
Administrator  
Risk Management Agency

James R. Little  
Administrator  
Farm Service Agency

ATTN: Michael Hand  
Deputy Administrator for Compliance  
Risk Management Agency

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

This report presents the results of our review of the U. S. Department of Agriculture's implementation of the Agricultural Risk Protection Act of 2000. Written responses provided by the Risk Management Agency and the Farm Service Agency to the official draft report are included as exhibit B with excerpts and the Office of Inspector General's (OIG) position incorporated into the Findings and Recommendations section of the report.

Based on the information contained in the response, we are unable to accept management decisions at this time. Management decisions can be considered when the agencies provide the additional information outlined in the OIG Position sections of the report.

Please furnish a reply within 60 days describing corrective actions taken or planned and the timeframes for implementation of those recommendations where management decisions have not been reached. Please note that Departmental Regulation 1720-1 requires a management decision to be reached on all findings and recommendations within a maximum of 6 months from report issuance. Final Action on the recommendations that have reached management decision should be completed within 1 year to preclude being listed in the Department's annual performance and accountability report.

We appreciate the courtesies and cooperation extended to our staff during the review.

/s/ Marlane T. Evans for

RICHARD D. LONG  
Assistant Inspector General  
for Audit

---

# EXECUTIVE SUMMARY

## USDA IMPLEMENTATION OF THE AGRICULTURAL RISK PROTECTION ACT OF 2000

REPORT NO. 50099-12-KC

---

---

### RESULTS IN BRIEF

---

This review was performed to assess the status of actions taken to implement significant portions of the Agricultural Risk Protection Act of 2000 (ARPA). The overall purpose of the ARPA is to strengthen the safety net for agricultural producers through more affordable risk management tools. We concluded that the Risk Management Agency (RMA) and Farm Service Agency (FSA) initiated reasonable actions to implement 19 of 30 significant ARPA provisions that we identified. For 10 of the remaining 11 provisions, we concluded that the agencies' actions were not far enough along to adequately assess their progress. One specific provision of ARPA requires the U.S. Department of Agriculture (USDA) Secretary, through RMA and FSA, to reconcile all relevant information received from producers who obtained crop insurance coverage and reconcile this information on at least an annual basis beginning with the 2001 crop year.

However, Departmental efforts on data reconciliation of information received from producers who carried crop insurance on 2001 crops were not timely or effective. A number of factors, including differences in agency program definitions, weaknesses in planning and coordinating the referral of errors among the agencies, and RMA's reliance on the reinsured companies, contributed to this condition. As a result, effectiveness of the reconciliation as a tool to enhance program integrity has been compromised and the reconciliation process, as it is presently being conducted, may not be in compliance with legislative requirements. In November 2002, we discussed our concerns with RMA officials that their sampling approach, which included only resolving a small number of the identified discrepancies for the 2001 crop year, may not meet ARPA's intent and requirements for reconciling relevant information. In our view, once RMA and FSA decided on the relevant data to be reconciled for 2001, the agencies were obliged by statute to substantially resolve all discrepancies identified. We also questioned RMA's reliance on the reinsured companies to research and confirm the apparent discrepancies, rather than using its own staff. RMA officials agreed to seek written legal

opinions from the Office of the General Counsel (OGC) as to whether (1) reinsured companies could be required to participate in the data reconciliation process and to clarify any associated role and responsibilities and (2) the limited sampling plan approach used to address and resolve discrepancies identified during the 2001 reconciliation would meet ARPA requirements.

The difficulties, including the inefficient use of RMA and FSA resources to meet this continuing legal requirement, will continue to exist without a common information system. The Farm Security and Rural Investment Act of 2002 authorized the Secretary to use between \$5 million and \$8 million to develop a comprehensive information management system. This legislation defined the primary system objectives as eliminating the duplicate collection of information and lowering the overall cost to USDA for information collection. To that end, the legislation provided for the development of a common information system by combining, reconciling, redefining, and reformatting existing RMA and FSA data. The RMA Administrator also indicated in November 2002, that the agency held a meeting with FSA and the Office of the Chief Information Officer (OCIO) and began discussing plans to comply with the legislation but did not provide timeframes or a plan of implementation at that time.

---

## **KEY RECOMMENDATIONS**

---

We recommended that RMA and FSA, in consultation with the Under Secretary, Farm and Foreign Agricultural Services (FFAS), establish an executive level joint Departmental agency task force to develop plans for reengineering the Department's data reporting for each producer, landowner, and policyholder under a single integrated common comprehensive information collection system. In addition, we recommended that the agencies develop strategies to address each of the conditions cited herein. We also recommended that RMA obtain written legal opinions as to whether (1) reinsured companies can be required to participate in the data reconciliation process and to clarify their role and responsibilities in resolving identified discrepancies and (2) the limited sampling plan approach being used to address and resolve the discrepancies identified during the 2001 reconciliation meets the requirements of ARPA. On November 14, 2002, the RMA Administrator agreed to obtain the opinions from OGC but no formal OGC opinions on the two issues have been provided by RMA as of the date of this report.

---

## **AGENCY RESPONSE**

---

In its written response to the draft audit report, RMA generally concurred with the four recommendations and FSA concurred with two recommendations pertaining to their

respective agencies. The two complete written responses are shown in exhibit B. Specifically, the Deputy Under Secretary, FFAS, and the RMA and FSA Administrators established a cross-functional team to implement a common information system that will eliminate the need for producers to report the same information to FSA and to reinsured companies; create efficiencies for producers, the agencies, and reinsured companies; and reduce the need for data reconciliation. The common information system (CIS) will enable the sharing of customer land use related information by utilizing USDA's e-Gov initiative and the Office of Management and Budget's (OMB) Geospatial One-Stop Initiative. The system is based on the common land unit (CLU), which identifies all farm fields, range land, and pasture land in the United States. USDA customers report and receive services related to land location, such as insurance, commodity payments, loans, conservation plans, and program contracts.

Also, RMA is in the process of analyzing the conditions cited and the 10 factors outlined in the draft report and plans to meet with FSA to determine the actions necessary to address each one. FSA indicated it has completed all activities related to the 2001 data reconciliation and that records have been transferred to RMA. Also, FSA indicated that no other 2002 data activities will begin by FSA until RMA has determined, with OGC guidance, what actions they can take. Once that is determined, FSA will work with RMA to determine the 2002 data reconciliation process. Also, RMA plans to include a discussion of the data reconciliation process in its next annual report to Congress and continues to work with OGC on obtaining the legal opinions.

---

## **OIG POSITION**

---

The RMA and FSA responses to the draft report concurred with the recommendations but did not include specific dates and details that would allow us to accept management decision. The information needed to reach management decision has been incorporated into the OIG Position sections of the report.

---

# TABLE OF CONTENTS

---

|   |     |
|---|-----|
| EXECUTIVE SUMMARY .....   | i   |
| RESULTS IN BRIEF.....   | i   |
| KEY RECOMMENDATIONS.....  | ii  |
| AGENCY RESPONSE .....   | ii  |
| OIG POSITION.....   | iii |
| TABLE OF CONTENTS.....  | iv  |
| INTRODUCTION.....   | 1   |
| BACKGROUND .....  | 1   |
| OBJECTIVES.....   | 2   |
| SCOPE .....   | 3   |
| METHODOLOGY .....   | 3   |
| FINDINGS AND RECOMMENDATIONS .....                                | 4   |
| CHAPTER 1 .....   | 4   |
| IMPROVEMENT NEEDED IN DATA RECONCILIATION PROCESS .....           | 4   |
| FINDING NO. 1.....  | 4   |
| RECOMMENDATION NO. 1 .....  | 11  |
| RECOMMENDATION NO. 2 .....  | 12  |
| RECOMMENDATION NO. 3 .....  | 13  |
| RECOMMENDATION NO. 4 .....  | 14  |
| EXHIBIT A – LETTER TO PRODUCERS REQUESTING VERIFICATION OF DATA . | 15  |
| EXHIBIT B – RMA AND FSA RESPONSES TO THE DRAFT REPORT .....       | 16  |
| ABBREVIATIONS.....  | 20  |

---

# INTRODUCTION

---

---

## BACKGROUND

---

ARPA, Public Law 106-224, was enacted on June 20, 2000. It was designed to strengthen the safety net for agricultural producers by providing greater access to more affordable risk management tools and improved protection from production and income loss. One of the most important objectives of ARPA was to improve the overall integrity of the program. ARPA provided total funding of about \$8.2 billion for the 2001 through 2005 fiscal years to accomplish these objectives.

Specifically, Title I of ARPA consisted of six subtitles: A. Crop Insurance Coverage; B. Improving Program Integrity; C. Research and Pilot Programs; D. Administration; E. Miscellaneous; and F. Effective Dates and Implementation. Major program changes in the subtitles included providing farmers with access to better coverage at more affordable prices, enhancing protection from the effects of multi-year losses on producer yields, tightening compliance, stimulating the research and development of new insurance products, and targeting underserved areas for program expansion.

Some highlights of ARPA included section 101 which authorized increased subsidy levels as a means of making crop insurance more affordable. Also, section 105 of ARPA minimized the impact of multi-year losses on yields by permitting the substitution of replacement yields equal to 60 percent of the applicable transitional yields, where appropriate.

In addition, section 121 of ARPA provided for improved program compliance and integrity through the use of data mining techniques and an annual reconciliation of RMA and FSA data to identify and resolve differences. The reconciliation became effective with the 2001 crop year. Also, ARPA provides, in part, that “the Secretary shall develop and implement a coordinated plan for the Corporation and the Farm Service Agency to reconcile all relevant information received by the Corporation or the Farm Service Agency from a producer who obtains crop insurance coverage under this chapter. Beginning with the 2001 crop year, the Secretary shall require that the Corporation and the Farm Service Agency reconcile such producer-derived information on at least an annual basis in order to identify and address any discrepancies (7 United States Code 1515).”



Section 121 of ARPA also required the Secretary to submit an annual report to Congress describing the activities carried out under that section. This included an outline of the actions taken to eliminate identified fraud, waste, and abuse. The initial report, dated April 2002, was submitted to Congress in the fall of 2002 but did not acknowledge difficulties encountered conducting the reconciliation process. Also, section 121 required the Secretary to upgrade RMA's information management systems and ensure that any new hardware and software was compatible with that used by other USDA agencies. Subsequently, the Farm Security and Rural Investment Act of 2002 (FSRIA) (section 10706) authorized the Secretary to use between \$5 million and \$8 million to develop a comprehensive information management system.

Section 131 authorized reimbursement for the research and development costs associated with new and existing insurance products submitted for approval by private industry while section 132 authorized the introduction of pilot programs on new crops and livestock. The use of various risk management education tools and expansion of crop insurance participation in underserved areas was addressed in section 133. Also, section 142 provided for the use of expert reviewers to assess the soundness of private product submissions.

Section 148 authorized RMA to renegotiate the Standard Reinsurance Agreement (SRA) once during the 2001 through 2005 reinsurance years. SRA is a cooperative financial assistance agreement between RMA and the reinsured companies to deliver eligible crop insurance under the Act. The current SRA was amended by RMA in 2000 for ARPA and is in effect through the 2004 crop year.

---

## **OBJECTIVES**

---

The primary objectives of the review were to identify significant changes resulting from the passage of ARPA, to assess the progress of implementation activities of the significant areas identified, and assess management controls on selected areas; primarily those controls over the implementation of the data reconciliation provisions.

---

## **SCOPE**

---

The audit was performed at the RMA and FSA Headquarters offices located in Washington, D.C., the RMA Regional Compliance office located in Kansas City, Missouri, and the Nebraska FSA State office (STO) located in Lincoln, Nebraska.

The audit coverage was primarily limited to the ARPA implementation activities occurring during the 12-month period ended September 30, 2002. However, older activities were reviewed to the extent deemed necessary.

Once we identified the significant changes resulting from the passage of ARPA, we assessed their implementation status. We then concluded that the data reconciliation process was a key area of the legislation for which RMA, in conjunction with FSA, had developed a work plan and had recently begun the process of reconciling their respective producer's data. Therefore, we concentrated on reviewing the data reconciliation efforts due to significant amounts of FSA and RMA resources being devoted to the endeavor and the importance of developing a successful methodology for reconciling and resolving producer crop year data in future years.

The audit fieldwork was performed between April 2002 and November 2002. We conducted the audit in accordance with Government Auditing Standards.

---

## **METHODOLOGY**

---

To accomplish the audit objectives, we interviewed RMA, FSA, and OGC officials. We reviewed ARPA legislation, work plans developed by task teams, associated program documents, and interviewed a staff member from the House Agriculture Committee. Also, we examined the methodologies used by the agencies to conduct the reconciliation of FSA and RMA records and analyzed the results obtained. In addition, we identified the changes made to SRA based on ARPA and determined the reasons for the SRA changes. Also, we reviewed the RMA and FSA jointly issued handbook to obtain the specific procedure that pertained to the data reconciliation effort. At the Nebraska FSA STO, we tested application of the State and county office (CO) reconciliation procedures and controls through interviews with agency officials and a review of relevant supporting program records.

---

# FINDINGS AND RECOMMENDATIONS

---

|                  |  |
|------------------|--|
| <b>CHAPTER 1</b> | <b>IMPROVEMENT NEEDED IN DATA RECONCILIATION PROCESS</b> |
|------------------|--|

---

## FINDING NO. 1

---

Agency efforts to complete the required data reconciliation for 2001 were not timely and/or effective. A number of factors, including differences in agency program definitions and

weaknesses in planning and coordinating the referral of errors among the agencies and reinsured companies, contributed to this condition. Also, plans for accomplishing the 2001 crop reconciliation discrepancy resolution activities were in a fluid state and had not been finalized, although the next crop year was nearing completion. As a result, USDA has little assurance that agency efforts expended on the 2001 crop reconciliation will be in substantial compliance with ARPA and achieve the legislative intent of Congress. RMA's decisions to limit the number of identified discrepancies for research and correction meant that staff resources were used to identify discrepancies for which resolution may not be attempted and the bona fide errors contained in such discrepancies not being corrected.

Furthermore, as RMA and FSA work constructively together to alleviate these barriers to effectively implement the required data reconciliation, particularly differences in agency program definitions, they will also facilitate their efforts in developing a common information system that was recently mandated by Congress. FSRIA authorized funding to the Secretary to develop such a comprehensive information management system. Specifically, the legislation provided for development of a common information system by combining, reconciling, redefining, and reformatting existing RMA and FSA data.

Section 121 of ARPA required the Secretary, USDA, to develop and implement a coordinated plan for RMA and FSA to reconcile all relevant information received from producers who carried crop insurance. This included requiring the agencies to reconcile such producer-derived information on at least an annual basis in order to identify and address any discrepancies beginning with the 2001 crop year. The data reconciliation effort was intended to improve program compliance and

integrity. This included expansion of the data elements to be reconciled, as both agencies moved toward a common computing environment.

In October 2000, a joint agency reconciliation team, comprised of RMA and FSA personnel, completed a work plan that identified short- and long-term project objectives, a project approach, project strategies, reporting procedures, and recommendations for future projects to streamline data reporting and collection. For 2001, the plan defined relevant information to be reconciled and provided for comparing producer identification numbers, crop acreages, crop shares, and quantity of the commodity produced for 19 price support crops. The plan also provided that RMA would initially provide FSA with a file containing the cited crop insurance data for each insured producer. FSA personnel were then to compare the crop insurance data with the associated information contained in the FSA database. The plan further provided that differences would be summarized in a Data Reconciliation Report electronically provided to FSA CO's for analysis at the local level. This included acreage differences exceeding the greater of 1 acre or 5 percent of the reported RMA acres. CO responsibilities included reviewing the Data Reconciliation Report to identify the nature of the discrepancies shown for each listed producer. This included sending a pro forma letter to each affected producer requesting that it annotate on the letter to show which data (RMA's or FSA's) was correct. (See example in exhibit A.) FSA personnel were also responsible for making corrections in cases where the producers reported that the RMA data was correct. Discrepancies that could not be resolved or did not represent an allowable program difference were subject to referral back to RMA for followup at the reinsured company level.

Procedures for implementing the data reconciliation effort were included in Amendment 3 to FSA Handbook 4-RM, FCIC Program Integrity, dated October 4, 2001. The handbook included associated reinsured company responsibilities for researching and correcting data discrepancies; however, Amendment 8 to the handbook, dated May 25, 2002, subsequently modified the section pertaining to the reconciliation responsibilities. That amendment showed, in part, that plans for finalizing the 2001 crop reconciliation would be forthcoming.

To initiate the data reconciliation process, RMA provided FSA with a file containing 2001 crop insurance policy data that existed in its database as of September 2001. That file contained about 1.4 million records. FSA subsequently compared the producer identification numbers, crop acreages, and crop shares contained in the RMA provided file with those shown in its database. A report containing data elements that did not

match was provided to the affected FSA CO's for analyses and followup on December 3, 2001. That file contained about 480,000 records or about 34 percent of the 1.4 million records provided to FSA. FSA personnel subsequently sent pro forma letters showing the unmatched data element(s) obtained from both agencies to each identified producer. The letters contained spaces for producers to circle and initial which agency's data was correct and to provide the correct producer identification number, in applicable cases. Based on the responses received, FSA personnel were to take action to resolve discrepancies resulting from errors in FSA records. For example, this included cases where the producer indicated that the RMA data was correct. FSA CO personnel also coded the file for each discrepancy to show whether or not it needed to be referred back to RMA for followup at the reinsured company level. STO personnel were also required to concur with the need for referral back to RMA by coding each discrepancy with a "Y" or "N" as an additional management control.

As of June 2002, the file of discrepancies returned by FSA to RMA for followup by the RMA and/or reinsured companies contained about 240,000 of the approximately 480,000 unmatched records originally identified by FSA. During June and July 2002, RMA ran comparisons using discrepancies in the file to identify other alternatives (e.g., increasing the administrative variance allowed) for reducing the number of discrepancies to be referred to the reinsured companies for research and correction.

On July 29, 2002, RMA personnel advised us that they planned to use a random sampling plan to select discrepancies for referral to reinsured companies. RMA prepared a document that detailed eliminating about 230,000 of the discrepancies from the universe from which the sample would be selected. To that end, RMA selected a random sample of 160 of about 10,000 discrepancies consisting of acreage differences exceeding 10 percent with calculated indemnity differences greater than \$1,000 for analysis at the reinsured company level. RMA provided the sample cases to the reinsured companies in August 2002 and directed them to research and correct the insurance records in applicable cases. However, RMA had not established any formal plans for finalizing the 2001 reconciliation as of the date of this report, including what was to be done to resolve the remaining 230,000 discrepancies referred by FSA.

Our reviews of supporting program records and interviews with agency officials disclosed that the following factors have adversely impacted the 2001 crop year reconciliation process:

1. Agency differences in program definitions precluded comparing data at a lower detail level. For example, farms carried on FSA records are made up of one or more unique tracts (parcels of land) containing one or more fields. Producers report their crop acreages to FSA on the basis of farms, tracts, and fields. However, crops are insured on a unit basis. Crop insurance units may include the land in one or more tracts or portions thereof. Also, producers are permitted to obtain insurance on crops in which they do not have an insurable interest with consent. For example, a tenant can insure the landowner's share of a crop. Similarly, one spouse might report a 100 percent interest for crop insurance purposes, whereas each spouse might report a 50 percent interest for FSA purposes. However, the absence of corrective action to address this issue will result in the inefficient use of staff resources to identify, research, and resolve the same discrepancies year after year.
2. RMA included two questionable procedures in its data reconciliation process: (1) RMA requested reinsured companies to research and confirm the apparent discrepancies implementing the required reconciliation of RMA and FSA data, and (2) RMA developed a sampling plan approach as an alternative to researching and resolving each of the discrepancies referred by FSA. Even though its preliminary discussions with OGC had raised questions on whether the proposed procedures met the requirements of ARPA and were allowed under SRA, RMA proceeded with implementing the new procedures since it believed that such actions were within its program authority. During our discussions with OGC staff, they restated earlier concerns that the procedures may be in conflict with ARPA and/or SRA.

RMA requested reinsured companies to participate in the reconciliation process by researching and confirming only a portion of the apparent discrepancies resulting from the reconciliation process required by ARPA. RMA believed such changes in procedures were within its program authority. Furthermore, RMA believed that it was not cost effective to review and correct all identified discrepancies. Prior to referring the discrepancies to the reinsured companies, RMA would have omitted those discrepancies resulting from program errors and differences. RMA also believed it was in compliance with SRA because it would be assigning reinsured companies to follow up only on discrepancies directly attributable to the reinsured companies or policyholders. Although the reinsured company's participation represented a critical component in resolving those discrepancies referred by

FSA, RMA only informally broached the issue with OGC; no final determinations had been sought from OGC. As a result, RMA did not have reasonable assurance that its plans for resolving the discrepancies referred by FSA would meet the requirements of the statute and intent of Congress.

In summary, based on our discussions with OGC, we believe that RMA's sampling approach and its intent to resolve only a small number of the identified discrepancies for the 2001 crop year may not meet ARPA's intent and requirements for reconciling any discrepancies. In our view, once RMA and FSA decided on the relevant data to be reconciled for 2001, the agencies were obliged by statute to substantially resolve all discrepancies identified. This issue was discussed with RMA officials on November 14, 2002, where we recommended that RMA request OGC to provide written legal opinions as to whether (1) reinsured companies could be required to participate in the data reconciliation process and to clarify any associated role and responsibilities and (2) the limited sampling plan approach used to address and resolve discrepancies identified during the 2001 reconciliation would meet ARPA requirements. At this discussion, the RMA Administrator agreed to obtain the opinions from OGC but no formal OGC opinions on the two issues have been provided by RMA as of the date of this report.

3. RMA did not include data on active crop policies without any reported acres (blank acreage numbers) in the file that was transmitted to FSA. This prevented the potential identification of insured producers who did not report any planted acres for one or more insured crops to the insurance provider to avoid premium charges but did report planted crop acres to FSA to receive other types of program benefits, such as loan deficiency payments. Program records showed that 670,178 crop policies for 2001 did not earn a premium as of September 30, 2002. Producers who underreport their crop plantings undermine the integrity of the crop insurance program by reducing the amount of premium income that would otherwise be available to the companies to cover losses and, thereby, improve the actuarial soundness of the program.
4. Subsequent changes to the RMA database after the master file was provided to FSA to initiate the comparison could have resulted in FSA followup on acreage differences that were eliminated as a result of loss adjustments. For example, the acres reported for crop insurance purposes are subject to change as a result of

factors, such as loss adjustments. However, the RMA file provided to FSA for comparison purposes generally represented the planted crop acreages reported by the insured producers (i.e., prior to the normal loss adjustment season). Accordingly, any acreage errors noted at the time of loss adjustment were generally not reflected in the data provided to FSA. Although a later file transmission date could have mitigated the impact of this condition, it would have further delayed overall completion of the 2001 reconciliation process.

5. Content of the pro forma letter sent to producers did not recognize the potential for errors in both agencies' records. This was due to the fact that the letter required producers to choose whether the FSA or RMA data was correct. Except for producer identification numbers, there was no request to record the correct information if the provided data for both agencies were wrong.
6. Inconsistent documentation was provided to RMA on producer identification number discrepancies that were resolved by FSA but may have needed further analysis. For example, the text portion of the record provided to RMA was not always documented to show the associated crop acreage and share data in cases where the identification number differences were caused by a transposition error in recording the number by RMA or FSA.
7. The underlying cause(s) for identified discrepancies were not determined at the local level. The implementation plans called for the FSA CO's to resolve as many differences as possible through responses on the pro forma letters returned by producers. However, any remaining differences, except for allowable program variances, were to be referred to RMA for followup by the applicable reinsured companies. This would necessitate at least two contacts with the producers in cases where the discrepancies could not be resolved by FSA. Also, the reconciliation efforts appeared to focus on designating which agency's records were correct rather than identification of the underlying reason(s) for the discrepancies.
8. Controls were not in place to ensure that future changes to 2001 crop year data would result in corrections to the records in both agencies, where appropriate.
9. Impact of crop insurance policy provisions that preclude certain changes to crop insurance data after the insurance period ends



was not considered (e.g., integrity of actual production history yield data in cases where yields are based on incorrect acreage data).

10. Insufficient monitoring by RMA of preliminary FSA review results barred identifying and addressing unanticipated problems (e.g., malting barley provisions) before they became major obstacles in the reconciliation process. The survey disclosed that RMA monitoring efforts were primarily limited to software tests at four counties in South Dakota and Texas and phone calls to a sample of FSA CO's to identify any concerns they had with respect to the data reconciliation process.
11. Untimely completion of the 2001 crop data reconciliation effort (resolution of referred discrepancies for the 2001 crop year was not initiated until August 2002) did not allow the affected producers to accurately report their 2002 crop plantings. Accordingly, the absence of timely action to resolve identified acreage and share discrepancies could result in repeated identification in subsequent years and inefficient use of staff and resources.

RMA did submit its required report on ARPA implementation to Congress in the fall of 2002, but did not acknowledge the difficulties encountered conducting the reconciliation process or issues needing clarification by OGC.

As noted, section 121 of ARPA required the upgrading of RMA's information management systems. RMA is now working to upgrade its existing compliance tracking system. Subsequently, FSRIA (section 10706) authorized the Secretary to use between \$5 million and \$8 million to develop a comprehensive information management system. The legislation defined the primary system objectives as eliminating the duplicate collection of information and lowering the overall cost to USDA for information collection. To that end, the legislation provided for the development of a common information system by combining, reconciling, redefining, and reformatting existing RMA and FSA data. The RMA Administrator indicated on November 14, 2002, that his agency did hold a meeting with FSA and the Office of the Chief Information Officer (OCIO) to begin discussing plans to comply with this legislation but did not provide timeframes or a plan of implementation. In our view, this common comprehensive information system needs to be a single integrated reporting system with common program definitions to simplify the process and programs for agricultural producers.

Without significant changes in planning, executing, referring data discrepancies, and correcting information systems, the ability of either agency to enhance the existing data reconciliation process will be extremely limited. As noted above, significant problems were experienced in reconciling only a few basic data elements, such as producer identification numbers this year. Incomplete actions to analyze, research, and correct identified discrepancies will also obstruct and result in duplicating reconciliation efforts in future years. We also concluded that these problems will impede efforts to expand the existing process to include additional and more complex data elements, such as production in future crop years.

**To the FSA and RMA Administrators:**

---

**RECOMMENDATION NO. 1**

---

Establish an executive level joint Departmental agency task force in consultation with the Under Secretary, FFAS, and immediately develop plans for reengineering the Department's data reporting for each producer, landowner, and policyholder under a single integrated common comprehensive information collection system that is client friendly and provides all necessary information to enable the agencies and reinsured companies to administer their respective programs. (Refer to factor no. 1.)

**Agency Response**

In its written response to the draft audit report, dated September 10, 2003, RMA concurred with the recommendation. The FSA response dated September 30, 2003, showed that it concurred with the RMA response. RMA stated that the Deputy Under Secretary, FFAS, and RMA and FSA Administrators established a cross functional team to implement a common information system that will eliminate the need of producers reporting the same information to FSA and to reinsured companies, create efficiencies for producers, the agencies, and reinsured companies, and reduce the need for data reconciliation.

CIS will enable the sharing of customer land use related information by utilizing USDA's e-Gov initiative and OMB's Geospatial One-Stop Initiative. The system is based on CLU, which identifies all farm fields, range land, and pasture land in the United States. USDA customers report and receive services related to land location, such as insurance, commodity payments, loans, conservation plans, and program contracts. The team will create a data key and design an environment that will allow

the exchange or sharing of information based on CLU between RMA, the reinsured companies, and FSA.

CLU also provides the Geographic Information System (GIS) component to USDA information. The use of GIS technology enables the creation of location-based decision support system that integrates agronomic data and will allow USDA business to be mapped by location on a nationwide basis.

CIS will begin as a pilot in 2004 in selected areas where CLU has been certified by FSA. The pilot area will expand in following years until CLU's in the entire country have been certified. The final implementation procedures, policies, and systems will be modified based on experiences learned during the pilot.

The team is identifying the types of information to be shared and program differences which will have to be addressed. It has identified the data reporting elements for the 2004 pilot, which were included in the 2004 Manual 13 and are working on developing the reporting procedures. The team represents the different functional areas of the reinsured companies, RMA, and FSA, and is in coordination with USDA's OCIO. Representatives from the Natural Resources Conservation Service, Rural Development, National Agricultural Statistics Service, and Cooperative State Research, Education, and Extension Service, and Homeland Security will also be consulted and be involved.

### **OIG Position**

Based on the information contained in the two responses, we cannot reach management decision for this recommendation. We agree with the actions taken to date and planned. To reach management decision, RMA will need to provide detailed information on its final implementation procedures, policies, and systems that will be modified based on the experiences learned from the pilot. Also, we will need to be provided a timeframe for completing the contemplated actions.

---

## **RECOMMENDATION NO. 2**

---

Develop strategies for addressing each of the conditions cited (refer to factors nos. 1 and 3 through 11). This includes promptly completing the 2001 crop year reconciliation and any associated corrective actions for all identified discrepancies. Require RMA and FSA to take immediate action to address the methodology to be implemented for reconciling and resolving 2002 crop year data.

### **Agency Response**

In its written response to the draft audit report, RMA conditionally concurred with the recommendation. RMA stated that it is in the process of analyzing the conditions cited and the 10 factors outlined in the draft report and plan to meet with FSA to determine the appropriate actions necessary to address each one. RMA expects to complete the review and will provide its response to the recommendation within the next 60 days. Also, FSA provided in its response that it has completed all activities related to the 2001 data reconciliation and records that could not be reconciled have been transferred to RMA. For 2002, some preliminary automated comparisons have been seen by FSA; however, no other 2002 data reconciliation activities will begin by FSA until RMA has determined, with OGC guidance, what actions they can take. Once that is determined, FSA will work with RMA to determine the 2002 reconciliation process.

### **OIG Position**

Based on the information contained in the two responses, we cannot accept management decision for this recommendation. To reach management decision, RMA and FSA will need to provide detailed information specifying the actions taken or contemplated, as well the management control process to be used to ensure the planned corrective actions are effectively accomplished. We will also need to be informed of the timeframes for completing the specified actions.

### **To the RMA Administrator:**

---

#### **RECOMMENDATION NO. 3**

---

Include the issues identified by this report, as well as any corrective actions taken or contemplated, to address our recommendations in its next annual report to

Congress.

### **Agency Response**

In its written response to the draft audit report, RMA conditionally concurred with the recommendation. RMA stated that it plans to include a discussion on the Data Reconciliation Process in its next annual report to Congress.

### **OIG Position**

We cannot accept management decision for this recommendation. To reach management decision, we will need to be advised how RMA will address the issues identified by this report, as well as any corrective actions taken or contemplated, to address our recommendations in its next annual report. In addition, we will also need to be provided the timeframe by which the next report will be provided to Congress.

---

### **RECOMMENDATION NO. 4**

---

Obtain written legal opinions from OGC as to whether (1) reinsured companies can be required to participate in the data reconciliation process and to clarify their role and responsibilities in resolving discrepancies identified and (2) the limited sampling plan approach being used to address and resolve the discrepancies identified during the 2001 reconciliation meets the requirements of ARPA (refer to factor no. 2.)

### **Agency Response**

In its written response to the draft audit report, RMA concurred with the recommendation. RMA stated that it has requested and continues to work with OGC on obtaining the two legal opinions.

### **OIG Position**

We cannot accept the management decision for this recommendation. To reach management decision, we will need to be advised that RMA has obtained the opinions from OGC and be provided RMA's detailed plan of actions needed and appropriate timeframes to address the impact of the opinions on RMA's operations.

---

## EXHIBIT A – LETTER TO PRODUCERS REQUESTING VERIFICATION OF DATA

### Example letter to producers requesting verification of data (Par. 181)

The following is an example of the letter that County Offices shall use to notify producers of discrepancies between RMA and FSA data.

**Note:** State and County Offices are **not** authorized to amend the language in this letter.

Dear Producer:

The Agricultural Risk Protection Act of 2000 requires that the Farm Service Agency (FSA) and the Risk Management Agency (RMA) compare crop information submitted by producers to ensure that both agencies' records are correct. On October XX, 200X, the [crop year] crop records from the 2 agencies were compared, and your data was determined to have 1 or more differences.

The following is the data as provided by both agencies.

|                      |       |            |         |                     |
|----------------------|-------|------------|---------|---------------------|
| RMA data - Crop Year | Crop  | Crop Share | Acreage | Verified Correct    |
| _____                | _____ | _____      | _____   | _____               |
|                      |       |            |         | Producer's Initials |
| FSA data - Crop Year | Crop  | Crop Share | Acreage | Verified Correct    |
| _____                | _____ | _____      | _____   | _____               |
|                      |       |            |         | Producer's Initials |

Other - Your ID number does not match - Please provide correct ID number \_\_\_\_\_

Please initial by the correct information and return this letter to the FSA County Office within 30 calendar days of receipt. Failure to return this letter within 30 calendar days may result in FSA assigning the most restrictive data as correct or RMA referring your policy to your insurance provider for further review. This may result in an overpayment of FSA benefits, which you will be required to refund.

We appreciate your time and concern in this matter.

Sincerely,

John Smith  
CED, Minnehaha County  
5-25-02

4-RM Amend. 8

Page 1

---

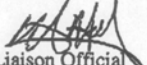
## EXHIBIT B – RMA AND FSA RESPONSES TO THE DRAFT REPORT



United States Department of Agriculture  
Farm and Foreign Agricultural Services  
Risk Management Agency

TO: Richard D. Long  
Assistant Inspector General for Audit  
Office of Inspector General

SEP 10 2009

FROM: Michael Hand   
Agency Audit Liaison Official

SUBJECT: OIG Official Draft Audit Report 50099-12-KC, USDA Implementation of the  
Agricultural Risk Protection Act of 2000

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

### **RECOMMENDATION NO. 1**

*Establish an executive level joint Departmental agency task force in consultation with the Undersecretary, Farm and Foreign Agricultural Services, and immediately develop plans for reengineering the Departments' data reporting for each producer, landowner, and policyholder under a single integrated common comprehensive information collection system that is client friendly and provides all necessary information to enable the agencies and reinsured companies to administer their respective programs. (Refer to factor no. 1.)*

### **RMA Response:**

Concur. The Deputy Undersecretary Farm and Foreign Agricultural Services, Floyd Gaibler, and the Risk Management Agency, (RMA), and Farm Service Agency, (FSA), Administrators established a cross functional team to implement a common information system that will eliminate the need of producers reporting the same information to FSA and to reinsured companies, create efficiencies for producers, the agencies and reinsured companies and reduce the need for data reconciliation.



-1400 Independence Ave., SW\*Stop 0801\*Washington, DC 20250-0801

The Risk Management Agency Administers and Oversees  
All Programs Authorized Under the Federal Crop Insurance Corporation

An Equal Opportunity Employer

The Common Information System, (CIS), will enable the sharing of customer land use related information by utilizing USDA's eGov initiative and OMB's Geospatial One-Stop Initiative. The system is based on the Common Land Unit, (CLU), which identifies all farm fields, range land, and pasture land in the United States. USDA customers report and receive services related to land location, such as insurance, commodity payments, loans, conservations plans and program contracts. The team will create a data key and design an environment that will allow the exchange or sharing of information based on the CLU between RMA, Reinsured Crop Insurance Companies, and FSA.

The CLU also provides the GIS component to USDA information. The use of GIS technology enables the creation of location based decision support system that integrates agronomic data and will allow USDA business to be mapped by location on a nationwide basis.

The CIS will begin as a pilot in 2004 in selected areas where the Common Land Unit, (CLU), has been certified by FSA. The pilot area will expand in following years until the CLU's in the entire country has been certified. The final implementation procedures, polices and systems will be modified based on experiences learned during the pilot.

The team is identifying the types of information to be shared and identifying program differences, which will have to be addressed. They have identified the data reporting elements for the 2004 pilot, which were included in the 2004 Manual 13, and are working on developing the reporting procedures. The team represents the different functional areas of the reinsured companies, RMA and FSA, and is in coordination with the USDA's CIO office. Representatives from the NRCS, RD, NASS, Cooperative Research and Extension Service and Homeland Security will also be consulted and be involved.

RMA believes the tasks identified in this recommendation have been address, and therefore, request management decision and closure of this recommendation.

#### RECOMMENDATION NO. 2

*Develop strategies for addressing each of the conditions cited (refer to factor nos. 1, and 3 through 11). This includes promptly completing the 2001 crop year reconciliation and any associated corrective actions for all identified discrepancies. Require RMA and FSA to take immediate action to address the methodology to be implemented for reconciling and resolving 2002 crop year data.*

#### **RMA Response:**

Conditionally concur. RMA is in the process of analyzing the conditions cited and the 10 factors outlined in the draft report, and plan to meet with the Farm Service Agency to determine the appropriate actions necessary to address each one. We expect to complete this review and will provide our response to this recommendation within the next 60 days.



**RECOMMENDATION NO. 3**

*Include the issues identified by this report as well as any corrective actions taken or contemplated to address our recommendations in the next annual report to Congress.*

**RMA Response:**

Conditionally concur. RMA plans to include a discussion on the Data Reconciliation Process in its next annual report to Congress.

**RECOMMENDATION NO. 4**

*Obtain written legal opinions from OGC as to whether (1) reinsured companies can be required to participate in the data reconciliation process and to clarify their role and responsibilities in resolving discrepancies identified and (2) the limited sampling plan approach being used to address and resolve the discrepancies identified during the 2001 reconciliation meets the requirements of ARPA (refer to factor no. 2.).*

**RMA Response:**

Concur. RMA has requested and continues to work with the Office of General Counsel on obtaining the above legal opinions.

If you have any questions regarding this audit response, please contact Alan Sneeringer at (202) 720-8813.

An Equal Opportunity Employer



United States  
Department of  
Agriculture

Farm and Foreign  
Agricultural  
Services

Farm Service  
Agency

1400 Independence  
Ave. SW  
Stop 0517  
Washington, DC  
20250-0517

**TO:** Philip Sharp, Chief  
Audits, Investigations, State and County Review Branch

**FROM:** John A. Johnson *Paul Johnson for* SEP 30 2003  
Deputy Administrator for Farm Programs

**SUBJECT:** OIG Audit Report 50099-12-KC  
USDA Implementation of the Agricultural Risk Protection Act of 2000

Outlined below is the Farm Service Agency's (FSA) response to the subject report.

**RECOMMENDATION NO. 1**

Establish an executive level joint Departmental agency task force in consultation with the Undersecretary, Farm and Foreign Services, and immediately develop plans for reengineering the Departments' data reporting for each producer, landowner, and policyholder under a single integrated common comprehensive information collection system that is client friendly and provides all necessary information to enable the agencies and reinsured companies to administer their respective programs.

**FSA Response:**

FSA concurs with RMA's response.

**RECOMMENDATION NO. 2**

Develop strategies for addressing each of the conditions cited (refer to factor nos. 1, and 3 through 11). This includes promptly completing the 2001 crop year reconciliation and any associated corrective actions for all identified discrepancies. Require RMA and FSA to take immediate action to address the methodology to be implemented for reconciling and resolving 2002 crop year data.

**FSA Response:**

FSA has completed all activities related to the 2001 data reconciliation. Records that could not be reconciled have been transferred to RMA. For 2002 some preliminary automated comparisons have been seen by FSA. However, no other 2002 data reconciliation activities will begin by FSA until RMA has determined, with OGC guidance, what actions they can take. Once that is determined, FSA will work with RMA to determine the 2002 reconciliation process.

---

## ABBREVIATIONS

---

|       |   |   |
|-------|---|---|
| ARPA  | - | Agricultural Risk Protection Act        |
| CIS   | - | Common Information System               |
| CLU   | - | Common Land Unit                        |
| CO    | - | County Office                           |
| FFAS  | - | Farm and Foreign Agricultural Services  |
| FSA   | - | Farm Service Agency                     |
| FSRIA | - | Farm Security and Rural Investment Act  |
| GIS   | - | Geographic Information System           |
| OCIO  | - | Office of the Chief Information Officer |
| OGC   | - | Office of the General Counsel           |
| OMB   | - | Office of Management and Budget         |
| RMA   | - | Risk Management Agency                  |
| SRA   | - | Standard Reinsurance Agreement          |
| STO   | - | State Office                            |
| USDA  | - | United States Department of Agriculture |