**United States Department of Agriculture**

Federal Crop Insurance Corporation

1400 Independence Avenue, SW
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Washington, DC
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DATE: November 16, 2006

TO: Board of Directors
Federal Crop Insurance Corporation

FROM: Eldon Gould */signed/*
Manager

SUBJECT: Manager's Report
Exhibit No. 2870

This memorandum serves as the Manager's Report to the Board of Directors (Board), Federal Crop Insurance Corporation (FCIC), for the November 16, 2006 meeting. The report relates to program issues as outlined below:

**Program Issues:**

**AGR-Lite Expansion -** RMA released actuarial filing which included the expansion of Adjusted Gross Revenue-Lite (AGR-Lite) into the states of Arizona, Colorado (selected counties), Kansas, Minnesota, Montana, Nevada, New Mexico, Utah, Wisconsin, and Wyoming. AGR-Lite is a whole- farm revenue plan of insurance, developed and owned by the Pennsylvania Department of Agriculture and submitted to FCIC under section 508(h) of the Act. It provides protection against low revenue due to unavoidable natural disasters and revenue fluctuations. Policies are limited in size to a maximum liability of $1 million annually and most farm-raised crops, animals, and animal products are eligible for protection. With this expansion, AGR-Lite will be available in 28 states for the 2007 insurance year having already been available in the states of Alaska, Connecticut, Delaware, Idaho, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, North Carolina, Oregon, Pennsylvania, Rhode Island, Vermont, Virginia. Secretary Johanns announced this expansion on November 2, 2006Washington, and West Virginia.

**Evaluation of the Major Crop Plans** - The Federal Crop Insurance Corporation (FCIC) Board of Directors (Board) contracted to conduct an analysis of the crop insurance portfolio. One of the outcomes of the portfolio analysis was development of a framework for comprehensive assessments of insurance programs operated by FCIC, both permanent (regulatory) and pilot, that RMA incorporated into a Program Evaluation Handbook. The framework provides guidance for program evaluations targeted at crops, states or areas that may not be adequately served by RMA products.

Arkansas and Mississippi are the first two States RMA has selected for a program evaluation as they were identified in the Portfolio Analysis as states that experience low participation, especially at buy-up levels of coverage. RMA has received contractor proposals to evaluate the plans of insurance in Arkansas and Mississippi which are currently being reviewed by the Technical Evaluation Team.

**Partnership Agreements –**RMA held a partnership kick-off meeting with all new partners October 24-25 in Nashville, TN. New partners were provided civil rights training, and a briefing on progress reporting, billing and confidentiality issues. Representatives from the University of Nebraska at Lincoln presented a progress report on October 27, 2006 to RMA personnel on tools developed through the National Drought Mitigation Center. An additional interagency agreement was finalized with the Cooperative State Research Education and Extension (CSREES) to develop an effective decision support and centralized data source for water quality in the cultivation clam pilot insurance growing areas of Florida based on data from the water quality monitoring stations in Florida.

**Hawaiian Tropical Fruit and Tree Programs –**The Hawaiian Tropical Fruit and Tropical Tree insurance pilot program was finalized and materials posted for public release October 27, 2006 with a sales closing date of December 31, 2006. The Davis Regional Office conducted its education and outreach effort to banana, papaya, and coffee growers on the four islands of Hawaii November 6-9. The Davis RO coordinated with the University of Hawaii Extension Service and the Hawaii State Department of Agriculture to hold these meetings.

**Florida Fruit Tree Program –** Modifications are being considered for the Florida Fruit Tree program in view of Florida's Department of Plant Industry's (DPI) inability to issue timely underwriting and destruction certification related to coverage for Asiatic Citrus Canker (ACC). The timeframe for DPI to issue an ACC free underwriting certificate is under consideration to extend from 30 days to 60 days, and the responsibility for issuing destruction certificates in the event of a loss due to ACC is under consideration for shifting from DPI to the Approved Insurance Providers.

**Apiculture Partnership –** A decision was made not to proceed with further development of the Apiculture insurance product, primarily due to the unsuitability of the data used to develop the program and producers' indications that another type of program may be more suitable to their unique production practices.

**Florida Avocado Pilot Program –** A contract modification was made for additional information needed to complete the evaluation of the Florida Avocado pilot program. Final materials are due in December 2006 and will be reviewed by RMA senior staff in anticipation of making a recommendation to the FCIC Board in January.

**Regulatory Update:**

**Peanut Crop Provisions –** The final rule for Peanut Crop Provisions was published in the Federal Register on September 26, 2006, and the policy was released on September 27, 2006. The rule updates the peanut crop provisions to be consistent with the elimination of the peanut quota program, makes peanut unit crop provisions consistent with other crop provisions, and provides for insuring peanuts based on a contract price. The final rule is effective for the 2007 crop year.

**Mustard Crop Provisions –** Recently, RMA's Billings and Spokane Regional Offices worked closely with the Product Administration and Standards Division (PASD) in Kansas City to revise and write the Mustard Pilot Crop Provisions following the FCIC Board's approval of its conversion to a permanent program. PASD resolved issues raised by the Office of General Council (OGC) and the proposed rule is in final preparation for publication in the Federal Register. The final rule is targeted to be effective for the 2008 crop year.

**Cabbage Crop Provisions:** PASD resolved issues raised by the Office of General Council (OGC) and the proposed rule is in final preparation for publication in the Federal Register. The proposed rule converts the cabbage pilot program to a permanent program based upon the FCIC Board's approval process for such action. The final rule is targeted to be effective for the 2008 crop year.

**Grape and Table Grape Crop Provisions –** The draft proposed rule was sent to AIPs for comment on September 29, 2006. PASD is reviewing comments and incorporating appropriate changes in the draft proposed rule. The rule is projected to be effective for the 2008 crop year.

**Fresh Market Sweet Corn:** The proposed rule public comment period for Fresh Market Sweet Corn ended on September 29, 2006. PASD is preparing responses to the comments and drafting the final rule. The final rule provides coverage for direct-market sweet corn and updates the policy to reflect expansion of the program to selected states and counties. The final rule is to be effective for the 2008 crop year.

**Mint Crop Provisions –** The final rule for Mint Crop Provisions was sent to OGC for review and approval on September 25, 2006. The rule converts the mint program from a pilot program to a permanent program based upon the FCIC Board's approval for such action. The final rule is targeted to be effective for the 2008 crop year.

**Northern Potato Crop Provisions and Southern Potato Crop Provisions –** The proposed rule public comment period for Northern Potato Crop Provisions and Southern Potato Crop Provisions ended on September 26, 2006. PASD is in the process of preparing responses to the public comments and drafting the final rule. The proposed rule would make changes to the Storage Coverage Endorsement and the process for determining production to count for claim purposes. The changes are targeted toward improving program integrity. The final rule is targeted to be effective for the 2008 crop year.

**Almond and Walnut Crop Provisions –** PASD is working with the Davis Regional Office to complete the final rule for Almond and Walnut Crop Provisions. The rule will reduce the age requirements for almond and walnut trees for crop insurance purposes. The final rule is targeted to be effective for the 2008 crop year.

**Millet Crop Provisions –** The proposed rule was cleared by OGC. Currently, USDA's Office of Management and Budget is reviewing its designation of the proposed rule. The proposed rule removes the indemnity reductions for unharvested acreage, a provision that has caused some producer concern for several years. The final rule is targeted to be effective for the 2008 crop year.

**Florida Citrus Fruit –** The proposed rule for Florida Citrus Fruit was published in the Federal Register with a comment period ending November 27, 2006. The proposed rule clarifies insurable citrus crops and provides coverage for wind damage on fresh fruit when in conjunction with a hurricane or tornado. The final rule is targeted to be effective for 2008 crop year.

**Nursery –** On September 1, 2006, the proposed rule for Nursery was published in the Federal Register with a 60-day public comment period. The rule clarifies the definition of nursery liners for insurance purposes and clarifies that the peak amount of insurance under the Peak Inventory Endorsement is limited to 200% of the amount of insurance established under the Nursery Crop Insurance Provisions. The final rule is targeted to be effective for the 2008 crop year.

**Coverage Enhancement Option (CEO) –** The proposed rule is in the PM concurrence process. The proposed rule converts the pilot program to a permanent option. The CEO is currently offered only on Texas Citrus trees. The final rule is targeted for the 2008 crop year.

**Cultivated Wild Rice –** Comments from Approved Insurance Providers to the draft proposed rule for Cultivated Wild Rice are being reviewed and appropriate changes incorporated to the proposed rule. The rule converts the cultivated wild rice program from a pilot program to a permanent program based upon the FCIC Board's approval process for such action. The projected implementation is for the 2009 crop year.

**Contracted Tobacco –** PASD has rewritten and renamed the Guaranteed Tobacco Crop Provisions to the Contracted Tobacco Crop Provisions because of the elimination of tobacco quotas. The revised regulation will eliminate the Quota Tobacco Crop Provisions as well. The proposed rule is in the PM concurrence process. The final rule is targeted for the 2008 crop year.

**Combination Regulation Update –** On September 12, 2006, the comment period ended for the proposed rule that combines the existing APH, Crop Revenue Coverage (CRC), Income Protection (IP), Indexed Income Protection (IIP) and Revenue Assurance (RA) plans of insurance into one consolidated plan of insurance. However, RMA reopened and extended the public comment period for an additional 30 days, which closed on October 26, 2006. RMA received 900 comments from 91 commenter's during the comment period. The 91 commenter's were 8 reinsured companies, 2 producer trade associations, 13 insurance agents, 2 insurance service organizations, 12 producers, 2 state departments of agriculture, 30 National and State level growers associations, 3 agricultural credit associations, and 19 other interested parties (either anonymous or they didn't identify who they were associated with).

## Program Highlights/Announcements:

**New Quality Adjustment Provisions:** For 2007 Corn, Grain Sorghum, Soybeans, and Sunflowers and 2008 Barley, Rye, Wheat, Canola, Flax, Oats, and Safflowers, RMA redesigned the quality adjustment procedures to be more responsive to producer's needs, improve the efficiency of loss adjustment on poorer quality grain, and to treat all producers more equitably. RMA received input on the quality adjustment procedures from RMA personnel, insurance industry groups, grower associations, and concerned parties from various states. RMA is optimistic that the new quality adjustment procedures will help to continue their objective of strengthening the economic stability of agricultural producers. One of the key factors in the change is that Approved Insurance Providers (AIPs) will no longer have to determine prices or ascertain the reasonableness of any "bids" offered for damaged grain – which occurred in 2005 and 2006 on aflatoxin damaged corn in Central Texas by local elevators. The use of "bids" has been the source of difficulty and problems with the current quality adjustment procedures.

Production that has qualifying quality deficiencies not reflected on a discount chart will be quality adjusted based on the sold dollar amount, if sold prior to 60 days after the calendar date for the end of the insurance period. Sixty days after the calendar date for the end of the insurance period, production with qualifying quality deficiencies off the discount charts will be adjusted based on a Discount Factor (DF) of .500, which would reduce production to count by 50%. Producers with unsold production may also elect to have their claims settled based upon the DF prior to 60 days after the calendar date for the end of the insurance period. Production with qualifying quality deficiencies on the present discount charts will be adjusted according to chart values, just as it is now.

## Insurance Services

### Premium Reduction Plans (PRP)

PRP will not be available during the 2007 reinsurance year because of language contained in the FY2006 Appropriations Bill. However, the Reinsurance Services Division (RSD), with support from the Financial and Oversight and Review Staff in KC, will continue evaluating requests from up to eight eligible insurance providers to pay PRP for 2006. The requests are to be submitted to RSD no earlier than February 2007 and must be financial expense statements for the 2005 and 2006 reinsurance years, audited by an independent CPA in a Statutory format consistent with certain exhibits prepared by the companies for their annual Plans of Operation. The deadline for submitting requests to pay PRP for the 2006 reinsurance year is December 31, 2007. PRP will resume for the 2008 reinsurance year, unless Congress renews the 2007 moratorium in FY2008 Appropriations legislation.

### Conflict of Interest

The Reinsurance Services Division (RSD) circulated a draft Managers Bulletin on July 14, 2006 to provide guidance to approved insurance providers regarding Conflict of Interest disclosures by company employees, agents, and loss adjusters. RSD has received and evaluated comments from the industry and is preparing a new draft based on industry feedback.

### Florida State Department of Insurance Hurricane Assessment

On May 16, 2006, the Florida State Board of Administration (SBA) issued a draft rule authorizing the Office of Insurance Regulation (OIR) to impose an assessment to replenish the funding for the Florida Hurricane Catastrophe Fund (FHCF). The proposed assessment is one percent of the insured's premium, must be paid by the insured, and will take effect January 1, 2007. Multiple peril crop insurance (MPCI) was specifically listed as a line of insurance affected, while Federal flood insurance was excluded. Section 511 of the Federal Crop Insurance Act expressly precludes the imposition of a tax on any contract of insurance reinsured by FCIC. RMA and some of the MPCI insurance providers have filed written challenges to the assessment against MPCI premium assessment asserting that it is actually a tax, which is precluded by section 511. RMA has also been in direct contact with counsel for the FHCF in an attempt to get OIR and SBA to exclude MPCI policies from the assessment, arguing Federal preemption. SBA is contracting for outside legal counsel to assist OIR in its evaluation of RMA's Federal preemption argument. If SBA fails to recognize Federal preemption and imposes the assessment, RMA will contact the Department of Justice for further action.

**Tomato Harvest**
October 20 was the end of insurance coverage for producers in California. Weather-related conditions caused split sets and delayed the crops maturity so producers are going to continue to harvest the crop after coverage has ended. The Davis Regional Office (RO) will be participating in large claims reviews for policies where producers will harvest their crop. Weather conditions continue to be favorable in the forecast.

**Raisin Meeting**
On November 1, the Davis RO conducted a meeting with raisin industry experts, company representatives and growers to determine whether to extend the lay down date for raisins in California. Traditionally, the crop is severed from the vine and laid on paper trays in the vineyard to dry which normally takes 2 to 4 weeks. The current program requires that raisins be laid down no later than September 20. However, due to labor issues, the industry has been moving quickly into mechanical harvesting to reduce their reliance on labor. Mechanized harvesting methods involve cutting the canes but leaving the clusters on the vine to dry for at least seven days. The crop is then mechanically harvested and laid on continuous trays to dry completely. Requests have been received to allow additional time for the grapes to dry on the vine before being harvested and laid on trays. Growers and industry representatives argue that although the grapes are laid down latter than hand harvesting, the crop is on the ground for a much shorter period of time, reducing the risk to the insurance program. The extended time is only being considered for mechanized harvest, all agreed that the current date for hand harvesting is adequate. No change is being considered for the end of insurance which is currently October 20. The Davis RO will develop a recommendation with the local company representatives and submit to Product Management for consideration.

**Pasture Rangeland and Forage Dakota Road Show**
As part of the Risk Management Agency's efforts to promote and raise awareness of the new Pasture Rangeland, and Forage products, representatives from the Billings Regional Office, Product Management, and Grazing Management Systems put on a series of informational meetings in Dickinson North Dakota, Bismarck North Dakota, Pierre South Dakota, and Spearfish South Dakota on September 11-14. The meeting participants included agents, company representatives, and producers. RMA collaborated with the Professional Insurance Agents, the Association of Independent Agents and the South Dakota Stockgrowers Association over 350 participants attended the four meetings. Overall, the tenure of the meetings was very positive, agents are anxious and excited to begin selling the new products, and producers seem receptive and interested in the product as well.

**Soybean Rust Confirmation Update –** As of October 26, 2006, Arkansas reported a find in Faulkner County. Other finds reported to date are from Indiana in Pike County and from North Carolina in Granville County. Currently rust has been found infecting this year's soybeans in 203 different counties in 15 states: AL, AR, FL, GA, IL, IN, KY, LA, MO, MS, NC, SC, TN, TX, and VA. Including reports on kudzu, there is a total of 227 counties in 15 states with rust this year including 16 in Alabama; 18 in Florida; 21 in South Carolina; 24 in Louisiana; 15 in Georgia; 4 in Texas and Missouri; 6 in Mississippi; 30 in North Carolina; 16 in Kentucky, 8 in Illinois; 6 in Indiana; 18 in Tennessee; 27 in Arkansas; and 13 in Virginia. Unlike the 2005 season, more soybean rust finds are occurring up the Mississippi River Valley from apparent outbreaks in Louisiana. Soybean Rust has been reported in 114 commercial soybean fields. As of this date, RMA has not received any notices of loss associated with soybean rust for the 2006 crop year. Dave Bell, Chief Loss Adjustment and Standards Branch will give a presentation entitled "Crop Insurance: Quality Adjustment And Sampling/Grading For Asiatic Soybean Rust" at the 2006 National Soybean Rust Symposium in St. Louis, Missouri on November 30, 2006.

**Well Shutdowns Ordered by the State of Colorado –** On September 12, 2006, RMA officials met with the Colorado Agriculture Commissioner as well as officials from the concerned water district. The Commissioner stated that some water data was not considered during the initial meetings. The agency agreed to continue working with Colorado officials to review any additional water data and to evaluate all information presented with the aim of doing our best within the laws and regulations by which RMA administers and regulates the Federal crop insurance program to assist Colorado farmers.

RMA does not have sufficient information to indicate that the direction provided in the June 29th Informational Memorandum should be modified. Additional information provided supports that snow pack and stream flow were well below average by the end of May. RMA's previous guidance recognizes this fact and provides that those producers who planted with the expectation of receiving a 15% pumping quota would be covered for crop losses due to the failure of irrigation supply. Those producers that had not planted before the plan's disapproval would be eligible for prevented planting up to their previously expected 15% quota.

Information to support that an insurable weather event occurred during the prevented planting insurance period that resulted in the request for only a 15% pumping quota was not provided. Information was provided to substantiate that had average water calls occurred during the insurance period based on long-term historic average conditions, the subdistrict would have adequate irrigation supplies. However, it has not been determined that the increased number of calls on the South Platte River were the result of weather related conditions during the insurance period.

Regarding future impacts of drought conditions, the documentation provided appears to support the conclusion that the affect on a producer's allocation cannot be definitively separated by insurance period. In situations such as this, RMA must apply provision 4.B.(3)(a)3 of the Prevented Planting Handbook, which states:

> *"The burden is on the producer to prove that average snow-pack/precipitation/inflow would allow production on all the intended acreage for the current crop year. When information indicating how much acreage could be planted if average snow-pack/precipitation/inflow would have occurred within the insurance period is not available, PP payments will be limited based on the number of acres prevented from being planted due to causes occurring prior to the current year's insurance period."*

Using this provision, the following example may apply:

| Example of Paragraph 4.B.(3)(a)3 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| If wells were shut down before planting in 2006 | | | | | If wells were shut down after planting in 2006 | | | | |
| Year | Acres Intended | Allocation | Acres PP | Acres Eligible for PP Payment | Year | Acres Intended | Allocation | Acres PP | Acres Eligible for PP Payment |
| 2005 | 100 | 40% | 60 | 60 | 2005 | 100 | 40% | 60 | 60 |
| 2006 | 100 | 15% | 85 | 15 | 2006 | 100 | 15% | 85 | 0 |
| 2007 | 100 | 0% | 100 | 15 | 2007 | 100 | 0% | 100 | 15 |
| 2008 | 100 | 0% | 100 | 0 | 2008 | 100 | 0% | 100 | 0 |

## IT Information

**Electronic Written Agreements (eWA) Project -** The eWA Investment project is an initiative to replacement the current RMA automated systems and methodologies. The initiative consists of the development of an enterprise architecture and platform necessary to support the RMA processes and store current and historical data. Included is an update on the project status.

**Infrastructure**: The RMA IRM Review Board met on September 21, 2006 and approved the adoption of a windows-based architecture for eWA and other future development. The HP/Wintel solution consists of HP Proliant DL585 G1 4P servers, a Microsoft SQL Server DBMS, and a .NET framework for application development. The RMA infrastructure team has been working jointly with the eWA project team to coordinate the infrastructure work with the eWA project plan. The following milestones related to infrastructure have been incorporated into the eWA project schedule.

- Design environment (for screen designs, prototyping, etc): due 10/30/06
- Development environment: due 12/1/06
- Test environment: due 2/2/07
- Production and Hotsite environments: due 10/1/07
- AIP Test environment: due 2/25/08

**Project Schedule/Earned Value**: The project is progressing on task. Requirements gathering sessions are essentially complete and SAIC is busy preparing the final requirements documents for approval. The design phase of the project has started for the Actuarial and RO Exceptions processes.

The integrated Baseline Review (IBR) meeting was held on October 19. The eWA project baseline was formally established and SAIC will begin reporting on earned value from this baseline. The 1st EV data will be reported in the November Monthly Status Report. The updated cost (excluding infrastructure) is projected to be $10.1 Million for the project.

The internal eWA SharePoint site and the AIP Extranet SharePoint site have been updated and are quickly becoming the primary means to communicate and share information on the project with stakeholders.

The AIP's are becoming increasingly involved in the project. The eWA Steering Committee is hosting monthly update meetings with industry and AIP representatives staff most of the eWA design teams. A formal AIP update is being held on November 15 in Kansas City following the NCIS Spring Crop Update Meeting. Several AIP issues have been identified and are being coordinated through the Steering Committee.

**Compliance:**

**Hurricane Indemnity Program (HIP) Review –** The Center for Agricultural Excellence (CAE) has prepared a data mining report for Compliance showing 2005 crop year policies that appear to have had the "cause of loss" codes changed to make the indemnities paid eligible for HIP disaster payments through FSA. Congress mandated that FSA use RMA data to assist with identifying those producers who were eligible for HIP payments. RMA heard rumors about the cause of loss on some policies being revised from "drought" only to include an eligible cause of loss under HIP such as "excess moisture". The report from CAE shows changes on approximately 250 units and while RMA was aware of and approved some of these changes, we intend to challenge the companies on most of the policies identified, particularly those where the original cause of loss cited was confined to drought. Additionally, the Office of Inspector General for Audit (OIG) has an ongoing review of the HIP program. RMA has shared the Cause of Loss Report with OIG and has further requested that CAE run a similar report to show policies where the "date of damage" was altered after the HIP program was announced.

**Compliance End of Fiscal Year Notes –** Compliance followed through with the 2006 priorities as follows:

- Monitored and improved the Spot Check List by revising procedures and improving communication with FSA.

- Emphasized other data mining results and distributed reports to AIPs on the Misapplied Yields (MAYS), Losses Not Reflected in APH Database (McP), and the Prohibited Conduct for Agents and Loss Adjusters reports. Compliance used the feedback on the Prohibited Conduct report to continue to educate the companies on the changes in the new Standard Reinsurance Agreement (SRA) or to emphasize areas of non-compliance under the old SRA. The Prohibited Conduct Report identified Agents who adjust policies, and Loss Adjusters who are selling polices in direct conflict with the SRA. This highlights additional Conflict of Interest issues and makes RSD's initiative to get the COI bulletin issued even more critical.

- Compliance staff maintained public awareness of its mission efforts by increasing and publicizing use of technology, company reviews, sanctions, and prosecutions.

- Improved OIG and GAO communications and continued to improve relationships with other law enforcement and regulatory agencies.

- Compliance supported company efforts to combat waste, fraud, and abuse with the highlight for this year being the NCIS sponsored Program Integrity Conference in May 2006.

Compliance continued to stress the need for equilibrium between Quality Control and Enforcement efforts. This will remain an overall RMA Compliance goal that can not be achieved without industry cooperation and continued emphasis in going forward into 2007.

**National Operations Reviews (NOR) –** Compliance has issued almost all of the initial findings on policies selected for the 2005 NOR reviews. These policy reviews help assess the insurance providers' adherence to the Standard Reinsurance Agreement (SRA), quality control guidelines and approved policies and procedures. RMA conducts random policy reviews during the NOR to report an error rate to OMB under the requirements of the Improper Payments Information Act of 2002. RMA has issued the NOR procedures for conducting these reviews and will modify them as necessary based on the experience comments of the reviewers who have used them in the field.

Compliance offices conducted Operations Reviews of the following companies for 2006:

- Dallas – *Rain and Hail*
- Davis – *Crop USA*
- Indianapolis – *Country Mutual*
- Kansas City – *ProAg*
- Raleigh – *American Agricultural*
- St. Paul – *Farmers Crop Insurance Alliance (closeout)*

**GAO Report on Fraud, Waste, and Abuse –** This audit provided recommendations to RMA as to how we could improve compliance efforts. RMA agreed in principle with most of the GAO recommendations and agreed to proceed on the following items:

- Adjusting the producer spot-check list procedures to permit FSA to review fall seeded crops for the following year as opposed to the current year, which was ineffective. RMA discussed the possibility of separating the data mining algorithms for the fall and spring, but determined that essential data would be excluded in the process. Farm Service Agency has stated that without additional resources, it will be unable to perform 100 percent of the designated growing season inspections.

- Distributing to each AIP the listing of its policyholders whose tax identification numbers or shareholders with substantial beneficial interests did not reconcile with FSA's permitted entity file. RMA will formally require the AIPs to review the discrepancies under Appendix IV and report the results at some point in time

- Finalizing a quality control program for the AIPs intended to help RMA assess the effectiveness of the quality controls used by the AIPs. Also, RMA Compliance will continue to test AIP quality control programs during scheduled national operations reviews.

- Finalizing the ARPA-implemented sanctions regulations as soon as OGC has completed its review of the current draft. RMA informed GAO that the lack of these regulations had not hindered RMA from using the statutory authority to sanction some producers. However, getting the regulations in place should help improve the overall sanctions process.