

INFORMATIONAL MEMORANDUM: COM-16-005

DATE September 29, 2016

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

FROM: Heather Manzano /s/ Heather Manzano Deputy Administrator for Compliance /s/
9/29/2016

SUBJECT: Risk Management Agency Supplemental Measures Review

Background

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

OMB classified the Federal Crop Insurance Program as a "high-priority" program when RMA exceeded OMB's \$750 million threshold in fiscal year (FY) 2014. As a result, RMA is required to post supplemental measures annually on PaymentAccuracy.gov, the improper payments website created under Executive Order 13520, *Reducing Improper Payments*, until further notice from OMB.

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

Action

To comply with the above mandate, RMA selected a sample of eligible crop insurance contracts (ECICs) which will be sent to each AIP to verify RMA acreage. The list of ECICs will be provided to each AIP through Hyper Dynamic Reporting Application (HyDRA) to verify the accuracy of the acreage reported to RMA.

RMA will send the list of ECICs to each AIP no later than October 31, 2016. AIPs are to review each ECIC listed for the 2016 crop year to determine whether the acreage data reported for crop insurance purposes is correct. If the review identifies an error, the AIP will correct the acreage information for Reinsurance Year (RY) 2016. AIPs should report the corrected amount of acreage on the spreadsheet and note whether there was an error, its type, and that acreage corrections were completed. The AIP will submit the completed spreadsheet to RMA through HyDRA. RMA will utilize this information to determine the effectiveness of the supplemental measure.

Please upload your results when reviews have been completed for the entire list of policies by no later than January 31, 2017.

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

DISPOSAL DATE:

December 31, 2017

ATTACHMENT

Supplemental Measures
Frequently Asked Questions

1. What is a supplemental measure?

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

2. Why is RMA required to report supplemental measures?

OMB classified the Federal Crop Insurance Program as a "high-priority" program when RMA exceeded OMB's \$750 million threshold in FY 2014 with \$973 million in improper payments. As a result, RMA is required to post supplemental measures on PaymentAccuracy.gov, the improper payments website created under Executive Order 13520, *Reducing Improper Payments*, until further notice from OMB.

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

According to OMB guidance, supplemental measures should focus on the main cause of improper payments in the program. Acreage errors have historically been a significant source of improper payments and can result in overpaid or underpaid premiums, premium subsidy, indemnities, and AIP administrative and operating reimbursements. However, by requesting AIPs to verify reported acreage, RMA expects to reduce acreage errors and future improper payments.

4. What were the results of FY2015 supplemental measures exercise?

RMA sent 1,179 ECICs to the AIPs for review. The AIPs changed the RMA acres in 299 of the ECICs (19%). The increase in RMA insured acres resulted in a total premium increase of \$3,716,874, while the decrease in insured RMA acres resulted in a total premium decrease of \$1,841,850.

5. What is the AIP required to do?

The list of insureds will be provided in Excel spreadsheet format through HyDRA to the AIPs. The AIPs will review the identified policies for RY 2016 and determine if the acreage reported for crop insurance is correct. If the review identifies an error, the AIP will correct the policy records for RY 2016. AIPs need only report the amount of acres verified; the amount of acres in error (if applicable); the reason the RMA acreage was incorrect (see list below); and, that

necessary corrections were made to the policyholder records.

Reasons acreage had to be adjusted:

Planting Dates

Authorized Signatures

Share

Unit Structure

Land Classification

Revised Acreage Report

Insufficient documentation

Computation error

Administrative error

Other

The AIPs should upload their spreadsheet results (including AIP acreage reporting responses) to Michael Whitefield through HyDRA's document share application. The document share application is the "Share" icon located on the HyDRA homepage. Please upload the spreadsheet when the results for the **entire sample** have been completed.

6. What date should this be completed?

The AIPs should report their sample results back to RMA no later than **January 31, 2017**.

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

RMA will continue the supplemental measure as long as OMB considers the Federal Crop Insurance Program a high-priority program (refer to question #2). OMB may remove RMA from the list if RMA consistently reduces the improper payment estimate below the OMB threshold.

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

The goal of this effort is to reduce improper payments. Findings will not be issued for policies identified for the supplemental measures if the AIP makes any necessary corrections for RY 2016 and reports to RMA that the corrections have been made to the policyholder records.

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

All the acreage errors and their amounts must be reported to RMA on the spreadsheet as directed in question 4. However, tolerances allowed in the Loss Adjustment Manual for loss situations are also allowed for non-loss situations for making corrections to the policyholder records.

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

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