RISK MANAGEMENT AGENCY

REVISED FISCAL 2000 and FY 2001 ANNUAL PERFORMANCE PLAN

The Risk Management Agency (RMA) was established under provisions of the Federal Agriculture Improvement and Reform Act of 1996 (1996 FAIR Act), P.L. 104-127, approved April 4, 1996. This Act amended the Department of Agriculture Reorganization Act of 1994, P.L. 103-354, Title II, to require that the Secretary establish within the Department an independent office responsible for supervision of the Federal Crop Insurance Corporation (FCIC), administration and oversight of programs authorized under the Federal Crop Insurance Act (7 U.S.C. 1501 et seq.), including delivery of program services through local offices of the Department, any pilot or other programs involving revenue insurance, risk management savings accounts, or the use of the futures market to manage risk and support farm income that may be established under the Federal Crop Insurance Act or other law, and such other programs as the Secretary considers appropriate. The recent passage of the Agricultural Research, Extension, and Education Reform Act of 1998 (Research Title) provides permanent funding for the RMA program (except salaries and expenses).

The mission of the Agency is to provide and support cost-effective means of managing risk for agricultural producers, in order to improve the economic stability of agriculture. In addition, RMA plans on transforming the crop insurance program into a broad-based safety net for producers to assure that American agriculture remains solid, solvent and globally competitive into the 21st century. This safety net for producers consists of many public and private alternatives designed to improve the economic stability of agriculture. RMA's portion of the safety net is supported by the products and tools described below.

Federal Crop Insurance: RMA provides an actuarially-sound risk management program that protects against production losses due to unavoidable causes such as drought, excessive moisture, hail, wind, hurricane, tornado, lightning, insects, etc. In addition to these causes, revenue insurance programs are available under which producers of certain crops are protected against loss of revenue stemming from low prices, poor yields, or a combination of both. Crop insurance is available to producers as either Catastrophic Coverage (CAT) or varying levels of additional coverage (for details on these programs, please refer to RMA's Strategic Plan). CAT premiums are entirely subsidized by the Government while the producer pays an administrative fee equal to $60 per crop, per county. Premium rates for additional coverage depend on the level of protection selected and vary by crop, county, and state. In addition to premium, producers who purchase limited additional coverage are assessed a fee of $50 per crop, per county, up to a maximum of $200 per producer, per county and $600 per producer for all counties. For those who purchase full additional coverage, a fee of $20 per crop, per county is assessed. This fee is also in addition to premium. Beginning in 1998, Federal crop insurance has been available solely through private insurance companies that market and provide full service, including claims processing, on crop insurance policies. This shift constituted a joint effort between the Government and the private insurance industry. RMA also relies on other Governmental agencies such as the Economic Research Service (ERS) and the National Agricultural Statistics Service (NASS) for valuable information and services essential to the success of the crop insurance program. A complete list of these contacts can be found in RMA's Strategic Plan.

Risk Management Education: RMA continues to partner with the Cooperative State Research, Education, and Extension Service (CSREES), the Commodity Futures Trading Commission (CFTC), and the USDA National Office of Outreach to provide Risk Management Education (RME) opportunities to U.S. farmers and ranchers, as mandated in Section 192 of the 1996 FAIR Act. It does this by leveraging funding available for RME with resources from the public and private sectors. The long-term RME plan calls for three phases: (I) raise national awareness, (II) foster state and regional partnerships, and (III) reach producers with risk management training. Phase I was accomplished in late-1997 through a national RME Summit. Phase II was accomplished during FY 1998 and early-FY 1999 through a series of Regional and State RME training conferences directed to those risk management professionals in a position to influence producers. These conferences were facilitated through the efforts of Education Coordinators in each of RMA's Regional Service Offices (RSOs) and representatives from Land Grant universities. Regional activities were supplemented by a set of 17 RME grants funded during FY1998.

More recently, public and private education partners have been focusing on Phase III of the RME plan – reaching producers through local education activities. During FY 1999, more than 35,000 producers are expected to be reached with risk management training through nearly 750 education sessions. The RME effort is also supported by several national projects. These include the development of the RME web site, funding for the National Ag Risk Education Library, and the Future Farmers of America/RMA Risk Management Essay contest.

For FY 2000 and FY 2001, RMA will continue to focus on reaching producers with risk management training. Training will be provided through Risk Management Clubs, through workshops co-sponsored by producer-based groups, through the community college and AgEd systems, and through self-study using the Internet and RMA mentors. One feature of the program for these years will be the use of certification as "Risk Managers" for those producers who have been trained. Certification will enable producers to receive favorable consideration from agricultural lenders and other benefits.

Options Pilot Programs: The 1996 FAIR Act, in Section 191, permits the Secretary to conduct pilot programs which help producers learn to use futures and options markets for price risk management. RMA's Dairy Options Pilot Program (DOPP) is the first of these programs. During FY 1999 it has provided dairy farmers in selected pilot areas with unique hands-on opportunities to learn to use options markets for price risk management. DOPP participants first attend a training session and then work with a licensed commodity broker to establish a floor price for their future production. They can establish a floor by buying dairy put options, which are traded on both the New York Board of Trade and the Chicago Mercantile Exchange. DOPP subsidizes 80 percent of the market value and $30 of the round-turn commission for each put option contract purchased by participants within the provisions of the program. Round I of the program reached producers in 37 counties of 7 states during FY 1999. Round II, to be announced shortly, is expected to expand the program to the limits set (100 counties) in the 1996 FAIR Act.

More information regarding RMA's programs can be found in the RMA Strategic Plan.

Goal 1: To strengthen the safety net for agricultural producers through sound risk management programs and education.

Objectives:

1.1 Producers have economically-sound risk management tools available to meet their needs.

1.2 Increase the agricultural community's awareness and effective utilization of risk management alternatives.

1.3 Improve program integrity and protect taxpayer's funds.

Program Activities: Federal Crop Insurance Corporation Fund
Administrative and Operating Expenses

	FY 1998 Actual	FY 1999 Actual	FY 2000 Estimate	FY 2001 Estimate
Funding (in thousands of dollars):				
FCIC Fund	700,000	1,549,755	$710,857	$1,727,671[2]
Administrative Operating Expenses:				
Salaries and Expenses	$62,900	$63,535	$63,983	$67,700
Administrative Expenses Reimbursement (to companies)	88,571	0[1]	01	0[1]
FTEs	530	528	568	568

Achievement of RMA's goal, and objectives requires funds to cover the salaries and expenses of approximately 568 FTEs. Washington D.C. headquarters staff provide the policy and procedure necessary to implement risk management programs and conduct quality internal reviews, partner with internal and external organizations to correct findings and/or pursue civil and criminal legal proceedings, monitor and evaluate the inflow and outflow of monies to ensure the statutorily established loss ratio is not exceeded, and develop and implement the RMA's budget to ensure requested monies and actual expenditures are aligned with program goals. The Research and Development unit, located in Kansas City, MO, is responsible for the design, development, implementation, and oversight of risk management products. Ten Regional Service Offices provide underwriting, education, and program guidance at the local level as well as participate in new product development. Six Compliance Field Offices conduct program, performance, and compliance reviews to timely prevent, detect, minimize, and correct vulnerabilities. Monies to support these initiatives has remained fairly stable over the last several years. However, as risk management development, expansion, oversight, and education efforts continue to increase, additional monies will be needed in fiscal year 2001 to support these functions.

RMA will support the Department's debt collection goals by continuing to refer its delinquent debts to the Treasury Administrative Offset Program. Currently, RMA's financial management systems are being reengineered to integrate the Reinsurance Accounting System, Payments and Receipts, cost accounting standards, and the Foundation Financial Information System (FFIS) financial information into the RMA Corporate General Ledger (CGL). The CGL will provide RMA with the financial reporting tools to meet current federal government financial reporting requirements. RMA has met the financial reporting deadlines for the past several years and will continue to do so.

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1 These expenses are authorized to be paid from the mandatory FCIC Fund per the Agricultural Research, Extension, and Education Reform Act of 1998, P.L. 105-185.

2 May be reduced depending on the availability of unobligated balances which can be applied to crop Insurance indemnities and other expenses.

PERFORMANCE GOAL AND INDICATORS	Crop Year 1998 Actual	Crop Year 1999[5] Preliminary	Crop Year 2000 Target	Crop Year 2001 Target
Expand Risk Management Tools available for Producers. (Objective 1.1)				
Number of insurance plans available (crop[3] year data).	121	138	143	149
Total crop insurance premium (dollars in thousands-crop year data).	1,873,442[4]	2,315,000[5]	2,235,700[6]	2,339,700[6]
Percent Participation - Percent of planted acres of principal crops as reported by NASS (other than hay) that are insured (crop year data).	67%[4]	73%[5]	71.5%[6]	69.9%[6]
Total insurance in force (dollars in thousands-crop year data).	27,903,182[4]	30,826,000[5]	28,754,900[6]	30,840,600[6]

Discussion of Annual Performance Goal: RMA's commitment and success in support of USDA's Strategic Goal 1.1, enhance the economic safety net for farmers and ranchers, is identified in the performance measures shown above.

RMA's achievements are reflected in the performance measures that are based on traditional crop insurance indicators. For example, the increase in the number of insurance plans available is an indicator of the variety of risk management tools which can be used by producers to manage their risk. These increases are a reflection of RMA's efforts to implement new pilot programs and new insurance plans, and to expand the availability of existing programs to producers. Producers' needs are continuously assessed by RMA and its private sector delivery partners to ensure that new and innovative risk management alternatives are available. Each of these measures indicate that producers accept the usefulness of RMA products as effective means to manage agricultural risks.

To further support these measures, RMA plans to research and implement new tools such as revenue coverage products and/or options based products, risk management savings accounts and other non-traditional risk management products. These efforts will provide and support cost-effective means of managing risk for agricultural producers in order to improve the economic stability of agriculture.

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[3] For most crops, crop year is defined as: The Period within which the insured crop is normally grown and designated by the calendar year in which the insured crop is normally harvested.

[4] Reflects actual to date. Source: 12/15/99 FCIC Summary of Business Report

[5] A portion of the FY 1999 data is preliminary. Analysis has show that by the first of November of the crop year, 99.70 percent of the policies with premium and 99.82 percent of the acres and liability have been reported.

[6] Reflects estimates in the FY 2001 President's Budget. Source: 12/10/99 budget model.

Means and Strategies: RMA exceeded the performance target for FY 1999, for performance indicator, Insurance Plans Available. As a result, RMA is revising the target for FY 2000 and 2001 to reflect the actual performance attained for 1999 plus the previously reported target increases. In addition, for FY 2000, RMA will define the performance indicator Percent of Net Cropland Acres Insured to Net Cropland Acres Available for Insurance to: Percent Participation, the percent of acres of principal crops as reported by NASS (other than hay) that are insured. This change will provide a quantifiable benchmark, whereas percent of net cropland acres available for insurance is difficult to measure.

A portion of funding from the mandatory Federal Crop Insurance Corporation Fund (FCIC) will be required for premium subsidy and delivery expenses reimbursed to reinsured companies. The remaining funding requirements from the mandatory FCIC Fund include Research and Development (R&D) costs as well as Apportionment for Excess Losses.

RMA is being proactive in planning for current projects/activities of the Agency that are known factors, such as the common computing environment that is required by the Department. Funding is required to upgrade and maintain RMA's computer systems to ensure the Agency keeps current with technological advances. Funding is also necessary to support the increasing number of innovative risk management tools that rely on various combined yield and price risk strategies utilizing both public and private sector initiatives, and to maintain current systems responsive to growers needs in an ever-changing risk environment.

There has been a concerted effort to cut back on all administrative expenses where possible to meet the noticeable availability of funding, including the FSA reimbursable agreement for administrative services. This effort has resulted in a significant decrease in administrative expenses due to the use of RMA’s automated system to access data processes and thereby decrease the Kansas City Computer Center costs.

Verification and Validation: RMA’s Data Acceptance System (DAS) and Reinsurance Accounting System (RAS) are two integrated data processing systems. DAS receives and validates data transmitted by reinsured companies. Data validated by DAS is passed to the RAS to generate all accounting reports. Together they provide RMA with a mechanism to ensure that data received is accurate, that errors are corrected timely, that information contained on monthly accounting reports submitted by the companies is accurate and appropriate entries are made in the financial accounting systems. All transactions are validated for data accuracy and compliance with processing requirements. Monthly submission of data is mandatory if any activity occurred during the month.

As policies are modified or new products/programs are introduced, DAS edits are reviewed and modified as needed to assure acceptance edits and validation requirements are in accordance with policy provisions. In addition to data validations, companies and RMA’s Compliance Division conduct field verification reviews and recalculate pertinent fields (e.g., liabilities, premiums, guarantees and losses, etc.). RAS is modified on an annual basis to incorporate changes to underwriting gain/loss calculations or administrative expense reimbursements in accordance with the terms of the annual Standard Reinsurance Agreement.

Estimates for this performance goal are based either on the latest Summary of Business Report, or the most recent budget estimates. It is important to note, that the estimates under this goal may change in the future. The data used in the performance measures is based on policy acreage records submitted to RMA by the reinsured companies. These records are based on the elements used to determine the liability and premium of the producers’ insurance policies and resultant expense reimbursement to companies. It is in accordance with P.L. 105-277, the Omnibus Consolidated and Emergency Supplemental Appropriations Act for Fiscal Year 1999, which authorized FCIC to provide an incentive, or an approximate 30 percent premium reduction for crop year 1999. Participation in the out years may increase due to this action. Revised estimates will be provided at a later date.

Measured values dealing with expanding risk management tools are derived from RMA's database of financial and program data, statistical data provided by the National Agricultural Statistics Service (NASS).

PERFORMANCE GOAL AND INDICATORS	FY 1998 Actual	FY 1999 Actual	FY 2000 Target	FY 2001 Target
Increase agricultural producers' awareness of risk management alternatives. (Objective 1.2)				
Number of producers attending risk management education session	14,500	21,036	12,300[7]	12,500[7]
Number of risk management education sessions being coordinated or facilitated.	365[8]	582[8]	600[8]	600[8]
Number of producers participating in risk management clubs or marketing clubs.	--	--	1,000[9]	1,200[9]
Number of Dairy Options Pilot Program sessions being coordinated or facilitated.	--	--	55[10]	--

Discussion of Annual Performance Goal: The achievement of these performance measures support the Department's management initiative 1.1: enhance the economic safety net for farmers and ranchers. One of the primary goals of government intervention in the agriculture market is to provide an economic safety net for farmers and ranchers that will cushion them against market fluctuations, ultimately ensuring that food security of the U.S. risk management programs are a major part of an economic safety net.

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[7] During FY 1999, RMA decided that producer training needed to be narrowed to the risk management skills specifically mandated in the FAIR Act of 1996. It was also decided that a standardized curriculum should be used to enable the agency to more accurately measure its impact on raising producer skill levels and awareness of risk management alternatives. This change of direction, combined with limited funding, significantly reduced the number of producers that could be reached. RMA believes that this reduction in numbers should be more than offset by the generally higher quality of educational exprience by producers and better measurement of the impact of RMA education funding.

[8] After analyzing the FY 1999 data, RMA has determined that this performance indicator would be best used with a different performance goal. The number of RME sessions coordinated did not adequately measure the number of producers utilizing risk management alternatives. The number of RME sessions does contribute to the measurement of increasing producers' awareness of risk management alternatives.

[9] New indicator. The number of producers participating in risk management clubs would measure an increase in risk management awareness.

[10] New indicator. The number of DOPP sessions coordinated would help measure the number of producers attending the information sessions and learning about the use of dairy put options as a form of price risk management. This program will be limited to FY 2000 due to funding and program limitations.

To support this objective and accomplish the annual performance goal, RMA will provide leadership, funding, and a strategy to institutionalize a risk management education (RME) program and enhance the outreach initiative to identify and reach undeserved areas, producers, and members of the agricultural community. Through partnerships, (see RMA's Strategic Plan) the agricultural community will have available comprehensive programs to meet this objective. The success of RMA's risk management and outreach efforts will be assessed by measuring the awareness and utilization of risk management alternatives by the agricultural community. For example, the number of producers attending risk management training is a leading indicator of the potential for producers to choose the most effective risk management tools to meet their individual needs. Because the education initiative is a new program to RMA, analysis is currently being conducted to establish means of collecting data, possibly via a survey.

Means and Strategies: Staff members in the 10 RMA Regional Offices (RO's) have responsibilities in program expansion and supporting new crop development; program maintenance and underwriting; implementation and coordination of RME; as well as providing technical program assistance to internal and external customers. Additional field personnel are also vital in the continuation of the RME program by providing support to the nation's producers through education and training on the Risk Management tools available to them. The educational approach used in the Dairy Options Pilot Program could be expanded to include livestock markets. Appropriate funding will permit the increased use of effective cooperative agreements with key educational or outreach organizations.

During FY 1998 and FY 1999, RMA counted a wide variety of educational activities for producers attending risk management education sessions. RMA had a role in planning and funding these sessions through its numerous public and private-sector education partners. The instruction provided in these sessions covered a wide variety of risk management topics and, the length and quality of these sessions varied widely. The numbers previously projected for FY 2000 and FY 2001 for indicator under Performance Goal 2, reflected a continuation of this program. In an evaluation of the education program during FY 1999, however, RMA decided that producer training needed to be narrowed to the risk management skills specifically mandated in the FAIR Act of 1996. It was also decided that a standardized curriculum should be used to enable the Agency to more accurately measure its impact on raising producer skill levels and awareness of risk management alternatives. This change of direction, combined with limited funding, significantly reduced the number of producers which could be reached. RMA believes that this reduction in numbers should be more than offset by generally higher quality of educational experience by producer and better measurement of the impact of RMA education funding. Therefore, the projected numbers for this indicator have been reduced.

Verification and Validation: RMA employs a mix of manual and automated systems to verify and validate the performance indicators associated with its goal. Verifying and validating these procedures and systems for their appropriateness as measurement tools will be a primary focus of internal reviews. Measured values are derived from a meeting log maintained by the education coordinators in each RO. The RME data may be limited in two ways. First, educational activity could be undercounted due to inadequate data collection from the private sector. Through its meeting log, RMA is attempting to record all RME directed to producers and other agribusiness leaders, even for cases where RMA is not directly involved. Restricting the count to only those activities in which RMA is involved would ignore the impact RMA has had in generating interest in promoting RME by the private sector and others. In attempting to record all education activity, however, RMA and its contacts will not be aware of and will, hence, overlook certain smaller education events. Second, some data may be inconsistent because a degree of subjectivity is involved in its collection. As RO educational coordinators and RME staff gain experience in collecting and using data from the meeting logs, they will be able to fine-tune the definition of education sessions and expand the network of sources for collecting information. RO educational coordinators will depend on CSREES partners for reporting RME activity by extension personnel. The memorandum of understanding between RMA and CSREES provides a mechanism for encouraging cooperation in resolving potential verification and validation problems.

PERFORMANCE GOAL AND INDICATORS	FY 1998 Actual	FY 1999 Actual	FY 2000 Target	FY 2001 Target
Increase the number of agricultural producers that utilize risk management alternatives. (Objective 1.2)				
Number of dairy producers participating in the Dairy Options Pilot Program.	--	--	3,000[11]	--
Total number of crop insurance policies earning premium (in thousands-crop year data).	1,243[12]	1,285[12]	1,286[12]	1,298[12]

Discussion of Annual Performance Goal: The achievement of these performance measures support the Department's management initiative 1.1: enhance the economic safety net for farmers and ranchers. One of the primary goals of government intervention in the agriculture market is to provide an economic safety net for farmers and ranchers that will cushion them against market fluctuations, ultimately ensuring that food security of the U.S. risk management programs are a major part of an economic safety net.

To support this objective and accomplish the annual performance goal, RMA will provide leadership, and funding for the RME program and enhance the outreach initiative to identify and reach undeserved areas, producers, and members of the agricultural community. Through partnerships, (see RMA's Strategic Plan) the agricultural community will have available comprehensive programs to meet this objective. The success of RMA's risk management and outreach efforts will be assessed by measuring the awareness and utilization of risk management alternatives by the agricultural community. For example, the number of producers purchasing crop insurance policies is an indicator of the potential for producers to choose the most effective risk management tools to meet their individual needs. Because the education initiative is a new program to RMA, analysis is currently being conducted to establish means of collecting data, possibly via a survey.

Means and Strategies: This performance goal will be achieved through execution of the following strategies: staff members in the RMA 10 RO's have responsibilities in program expansion and supporting new crop development; program maintenance and underwriting; implementation and coordination of RME; as well as providing technical program assistance to internal and external customers. Additional field personnel are also vital in the continuation of the RME program by providing support to the nation's producers through education and training on the Risk Management tools available to them. The educational approach used in the Dairy Options Pilot Program could be expanded to include livestock markets. Appropriate funding will permit the increased use of effective cooperative agreements with key educational or outreach organizations.

Public Outreach activities in support of the RME program envision a media campaign to motivate producers to participate in educational outreach.

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[11] New indicator. Dairy producers participating in the DOPP program by purchasing dairy put options would indicate an increase in the number of dairy producers using dairy put options as a form of price risk management. This program will be limited to FY 2000 due to funding and program limitations.

[12] In addition to this performance indicator being used in performance goal 1, the number of producers using crop insurance as a tool to manage production risk does measure the use of crop insurance as a risk management alternative.

Verification and Validation: RMA employs a mix of manual and automated systems to verify and validate the performance indicators associated with its goal. Verifying and validating these procedures and systems for their appropriateness as measurement tools will be a primary focus of internal reviews.

Measured values are derived from a meeting log maintained by the education coordinators in each RO. The RME data may be limited in two ways. First, educational activity could be undercounted. Through its meeting log, RMA is attempting to record all RME activity directed to producers and other agribusiness leaders, even for cases where RMA is not directly involved. Restricting the count to only those activities in which RMA is involved would ignore the impact RMA has had in generating interest in promoting RME by the private sector and others. In attempting to record all education activity, however, RMA and its contacts will not be aware of and will, hence, overlook certain smaller education events. Second, some data may be inconsistent because a degree of subjectivity is involved in its collection. As RO educational coordinators and RME staff gain experience in collecting and using data from the meeting logs, they will be able to fine-tune the definition of education sessions and expand the network of sources for collecting information. RO educational coordinators will depend on CSREES partners for reporting RME activity by extension personnel. The memorandum of understanding between RMA and CSREES provides a mechanism for encouraging cooperation in resolving potential verification and validation problems.

PERFORMANCE GOAL AND INDICATORS	**FY 1998 Actual**	**FY 1999 Actual**	**FY 2000 Target**	**FY 2001 Target**
Reduce program vulnerabilities. (Objective 1.3)				
Crop insurance loss ratio (crop year data)	.89[13]	.93	1.075[14]	1,075[14]
Total error rate (total of misrepresentation, program vulnerabilities, and unintentional errors	4.83%	3.65%	4.83%	4.83%
Rate of erroneous payments (misrepresentation).	0.11%	.05%	0.11%	0.11%
Rate of program vulnerability	1.10%	.26%	1.10%	1.10%
Rate of program delivery errors (un-intentional errors).	3.63%	3.95%	3.63%	3.63%
Number of audit recommendations which are not completed timely.	21	19	21	21
Percent of material Federal Managers' Financial Integrity Act (FMFIA) deficiencies which are not completed timely.	100%	0%	0%	0%
Percent of program goals and services with actual costs aligned.	100%	100%	100%	100%

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13 Reflects actual to date. Source 12/15/99 Summary of Business Report.

14 Reflects legislative mandate.

Discussion of Annual Performance Goal: The achievement of these performance measures support the Department's strategic goal 1.1, "Enhance the economic safety net for farmers and ranchers." RMA conducts reviews designed to evaluate reinsured company performance, detect and correct program vulnerabilities, and collect underpaid premiums and overpaid indemnities. The Agency also takes proactive measures to conduct self-assessments, identify material weaknesses, and implement timely corrective action through the annual Federal Managers' Financial Integrity Act (FMFIA) reporting process.

The Agency timely addresses audit findings and recommendations and works closely with the Office of Inspector General (OIG), General Accounting Office (GAO), and Office of the Chief Financial Officer (OCFO) to ensure the timely implementation of effective, responsive corrective actions.

The compilation of these activities has enabled RMA to reduce program vulnerabilities (performance goal #4) which has contributed to improved program integrity and protection of taxpayer's funds (RMA objective 1.3). A reduction in program vulnerabilities, improved program integrity, and protection of taxpayer's funds, in turn, enhance the economic safety net for farmers and ranchers.

Means and Strategies: This performance goal will be achieved through a multitude of internal and external review processes including the baseline error rate review, reinsured company quality control reviews, RMA quality control follow up reviews, FMFIA self-assessments, program reviews, management control reviews, hotline complaints, audits, and investigations. As deemed necessary, RMA will work in a cooperative manner with Agency partners to ensure the timely resolution of findings and implementation of corrective actions. RMA partners in these efforts include, but are not limited to, the Department of Justice, Office of General Counsel, GAO, OIG, OCFO, and reinsured companies.

RMA has entered into a contractual agreement to establish a pattern recognition system, enabling the Agency to identify trends signaling poor performance and/or potential/actual fraud, waste, and abuse of resources. Implementation of this system will enable the Agency to target review efforts in those areas deemed the most vulnerable, thereby enhancing program integrity and protecting taxpayers' funds. The Agency is also in the process of developing and implementing a Compliance Tracking System designed to improve monitoring and follow up of findings and recommendations identified through internal reviews and audits. The system is designed to facilitate trend analysis studies again, enabling the Agency to timely target and correct potential/actual performance and compliance vulnerabilities. In addition, the Agency has formed a Working Committee, comprised of RMA and OIG representatives, to enhance communications between the two Agencies and, ultimately, facilitate timely resolution of audit findings and recommendations. The Agency also continues to pursue Business Process Reengineering efforts with industry to address program improvements, vulnerabilities, expansion, education, funding, and contractual provisions in a timely, cooperative manner.

On August 17, 1999 Senator Fred Thompson issued a letter to Dan Glickman in which GAO and OIG "major management challenges" were identified, by Agency, within USDA. Major management challenges specific to RMA included strengthening 1) oversight by reinsured companies and the Risk Management Agency; 2) conflict of interest; 3) verification by loss adjusters; 4) yield and total liability; and 5) insurance availability to all producers.

The performance indicators currently encompassed in the Agency's Strategic and Annual Performance Plans, combined with supplemental discussions and narrative, adequately address the challenges identified by OIG and GAO. As such, additional goals, measures, and targets are not necessary to evaluate Agency performance in each of these areas. RMA will remain proactive in addressing each of these issues through internal and external reviews, legislative proposals and testimonies, and education and outreach efforts. These initiatives will be conducted in cooperation with Agency partners including reinsured companies, OIG and GAO, and colleges and universities.

Verification and Validation: Ongoing reviews, assessments, audits, investigations, and trend analyses, combined with subsequent follow up and monitoring, will serve as the primary means through which Agency data will be verified and validated.

Multiple systems are in place to determine the loss ratio, evaluate internal review results, determine the number of audit recommendations completed timely, and evaluate program and funding alignment, all of which provide accurate, reliable, and current information.

Current tracking systems used to record and evaluate review and audit results will be replaced by the Compliance Tracking System enabling the Agency to obtain more detailed information on audit and internal review results from one, consolidated source of information. Pattern recognition systems will also be initiated (FY 2001) to facilitate trend analysis studies, enabling the Agency to timely identify performance strengths and deficiencies and seize opportunities for improvements.

Once the BERR has been conducted for 3 consecutive years, an average baseline rate will be established against which program performance will be evaluated by RMA. Year 2 was completed in 1999, year 3 is expected to be completed in 2000. After which, the baseline average will be calculated and used to evaluate 2001 performance. BERR results are derived from testing results conducted by RMA on a sample selection of policies and subsequent analysis by OIG to determine actual error rates, given a specified population, sample size, and confidence level. The 1998 performance indicators will serve as the baseline for the remaining performance measures and, as such, will serve as the basis for measuring performance in subsequent years.

The BERR defines an error as an exception which may or may not have had a monetary effect on the claim and may have been caused by the insured, agent, adjuster, company representative, or resulting from apparent program vulnerabilities. Unintentional errors included finding loss adjusters failing to verify or correctly determine production to count and acreage. Intentional errors included hidden production and overstated acreage by policyholders. Program vulnerability errors are situations where there is a “hole” in the program which allows insureds to collect indemnity payments, although if common sense was applied, the claim would be uninsurable. While the total error rate is the total of the apparent misrepresentation, apparent program vulnerabilities, and unintentional errors.

SUMMARY OF RESOURCES FOR FY 2000 (Dollars in thousands)		
	GOAL	**TOTAL**
Administrative & Operating Expenses	$63,983	$63,983
FTE Ceiling	568	568
Federal Crop Insurance Corporation (FCIC) Fund:		
Budget Authority	$710,857	$710,857
Other Resources	$2,195,672	$2,195,672
Total FCIC Fund	$2,906,529	$2,906,529
TOTAL RESOURCES, RMA	**$2,970,512**	**$2,970,512**

SUMMARY OF RESOURCES FOR FY 2001 (Dollars in thousands)		
	GOAL	**TOTAL**
Administrative & Operating Expenses	$67,700	$67,700
FTE Ceiling	568	568
Federal Crop Insurance Corporation (FCIC) Fund:		
Budget Authority	$1,727,671	$1,727,671
Other Resources	$1,244,685	$1,244,685
Total FCIC Fund	$2,972,356	$2,972,356
TOTAL RESOURCES, RMA	**$3,040,056**	**$3,040,056**