



RMA Apiculture Pilot Insurance Program

Audit Report 05601-0002-41

We evaluated RMA's administration and oversight of the Apiculture Pilot Insurance Program.

OBJECTIVE

Our objective was to evaluate RMA's administration and oversight of the Apiculture Pilot Insurance Program.

REVIEWED

We reviewed pertinent laws, regulations, policies, procedures, and guidance; reviewed prior Office of Inspector General audit reports; interviewed RMA officials; examined CY 2020 documentation collected by sampled AIPs; and interviewed relevant parties.

RECOMMENDS

Among other recommendations, we recommend that RMA require that the AIP responsible for administering the three policies identified with insufficient lease documentation, provide adequate support that producers had the right to place colonies on insured land; and if adequate support is not provided, recover the \$442,188 in indemnities paid for the three policies. In addition, we recommend RMA review CY 2020 AIP \$200,000 Indemnity Reviews in California and Florida, and recover \$1,810,328 if adequate documentation is not provided. Further, we recommend RMA revise the lease certification form guidance to incorporate additional information for reviewers to validate the accuracy and completeness of the producers' self-certified information.

RMA officials concurred with our recommendations and we accepted management decision on five of the eight recommendations in this report.

WHAT OIG FOUND

The United States Department of Agriculture's (USDA) Risk Management Agency (RMA) administers Federal crop insurance programs, which help insure agricultural producers against losses resulting from crop diseases, hurricanes, and other risks. Federal crop insurance is available through private companies, known as approved insurance providers (AIPs), which RMA subsequently reinsures against a portion of the losses they may incur. The Apiculture Program is a Rainfall Index plan of insurance that insures against a decline in precipitation based on long term historical averages for the selected grid and index interval.

For three of the five Apiculture policies we reviewed that used lease certification forms, in lieu of providing lease agreements, we found the forms did not provide sufficient information to verify that a lease was in place. As a result, the lack of lessor information required on the form hinders the reviewer's ability to properly confirm eligibility for the Apiculture program and potentially puts producers at risk for not meeting insurability requirements. Therefore, the indemnities paid on the three policies totaling \$442,188 are questionable.

Our review also found that an AIP was not in compliance with the review requirements for policies that pay indemnities of \$200,000 or more (\$200,000 Indemnity Reviews). Without adequate reviews of these policies, there is reduced assurance that the payments made for four policies in crop year (CY) 2020—totaling \$1,082,604—met all insurability requirements.

Finally, although the Apiculture Program pays indemnities based on a lack of or decline in precipitation, the indemnity payment calculations do not differentiate between irrigated and non-irrigated farming practices. As a result, producers insuring bee colonies on irrigated land are able to receive the same level of indemnity payments even if they may not have been impacted by the lack of or decline in precipitation.



OFFICE OF INSPECTOR GENERAL

United States Department of Agriculture



DATE: May 9, 2023

AUDIT

NUMBER: 05601-0002-41

TO: Marcia Bunger
Administrator
Risk Management Agency

ATTN: Gary Weishaar
Branch Chief
External Audits and Investigations Division
Farm Production and Conservation Business Center

FROM: Janet Sorensen
Assistant Inspector General for Audit

SUBJECT: Apiculture Pilot Insurance Program

This report presents the results of the subject review. Your written response to the official draft is included in its entirety at the end of the report. We have incorporated excerpts from your response, and the Office of Inspector General's (OIG) position, into the relevant sections of the report. Based on your written response, we are able to accept management decision for Recommendations 2 and 5-8. However, we are unable to accept management decision on Recommendations 1, 3, and 4. The information needed to reach management decision on the recommendations is set forth in the OIG Position section following each recommendation.

In accordance with Departmental Regulation 1720-1, please furnish a reply within 60 days describing the corrective actions taken or planned, and timeframes for implementing the recommendations for which management decision have not been reached. Please note that the regulation requires that management decision to be reached on all recommendations within 6 months of report issuance, and final action to be taken within 1 year of each management decision to prevent being listed in the Department's annual Agency Financial Report. Please follow your internal agency procedures in forwarding final action correspondence to Office of the Chief Financial Officer (OCFO).

We appreciate the courtesies and cooperation extended to us by members of your staff during our audit fieldwork and subsequent discussions. This report contains publicly available information and will be posted in its entirety to our website (<https://usdaoig.oversight.gov>) in the near future.

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Background and Objectives

Background

The United States Department of Agriculture's (USDA) Risk Management Agency (RMA) administers Federal crop insurance programs, which help insure agricultural producers against losses resulting from crop diseases, hurricanes, and other risks. Federal crop insurance is available through private companies, known as approved insurance providers (AIP), that market and service crop insurance policies and process claims. AIPs directly insure producers and their crops and RMA subsequently reinsures AIPs against a portion of the losses they may incur.

The Apiculture Pilot Insurance Program (Apiculture Program) was developed through the Federal Crop Insurance Act's (Act) Section 508(h) process, which allows private parties, referred to as submitters, to develop and submit proposals for insurance products that address specific crops, livestock, or agricultural risks.^{1, 2} The Federal Crop Insurance Corporation (FCIC),^{3, 4} in turn, considers these proposed insurance products for approval. Proposed insurance products are to be in the best interests of producers, follow sound insurance principles, and be actuarially appropriate.⁵

The Apiculture Program was approved by the FCIC Board of Directors in July 2007.⁶ In crop year (CY) 2009, the program was piloted in 21 States and, in July 2017, RMA expanded the program to include all 48 contiguous States. The Apiculture Program is a Rainfall Index plan of insurance that insures against a decline in precipitation based on long-term historical averages for the selected grid and index interval. The Rainfall Index plan of insurance utilizes a numbered grid system. Each grid covers an area of about 17 by 17 miles at the equator. This plan of insurance does not measure, capture, or utilize the actual crop production of any producer or any of the actual crop production within the grid. An expected grid index is calculated for each grid identification (ID) and index interval using the long-term historical gridded precipitation data for the grid ID and the index interval. The expected grid index represents the average precipitation for the grid ID during the index interval based on the National Oceanic and Atmospheric Administration (NOAA) Climate Prediction Center data from 1948 to 2 years prior to the crop year.

¹ Apiculture means the raising and care of honeybees for agricultural crop production purposes, including honey production, collection of pollen and wax, and breeding purposes.

² Under Section 508(h) of the Act, a submitter may be any person or entity that submits a proposal to the Federal Crop Insurance Corporation Board.

³ FCIC is the wholly owned Government corporation that administers Federal crop insurance programs. The FCIC Board of Directors approves any new policy, plan of insurance, or major modification to an existing plan.

⁴ The 1996 Farm Bill established RMA to administer Federal crop insurance programs on behalf of FCIC.

⁵ Congressional Research Service, *Federal Crop Insurance: Specialty Crops*, updated January 14, 2019.

⁶ As of November 30, 2022, the submitter still retains the rights to the Apiculture Program and charges AIPs user fees for maintenance of the program.

At the time of the insurance application, the producer is required to select a grid ID, an index interval, a coverage level, and a productivity factor.⁷ The producer must also provide the total number of bee colonies as well as the number of insured colonies in the selected grid. Once selections are made and the application is accepted by the AIP, the producer cannot cancel their policy or make changes to their existing policy after the sales closing date. Indemnities are automatically triggered whenever the rainfall index falls below a producer-selected coverage level.

Apiculture Program producers are required to maintain documentation of the total number of insurable colonies, the number of insured colonies that are going to be placed in the selected grid and selected index interval, and proof of land ownership or a legal lease.^{8, 9} Producers are required to retain records—such as land ownership documents or lease agreements—to support their right to place bee colonies at specific locations.¹⁰

As part of RMA’s responsibility to ensure that the Federal Crop Insurance Program operates efficiently, FCIC and AIPs enter into a Standard Reinsurance Agreement (SRA), which requires AIPs to establish a system of internal controls to meet FCIC established guidelines. Specifically, the SRA requires AIPs to conduct reviews of crop insurance contracts, known as policies,¹¹ which pay indemnities of \$200,000 or more (\$200,000 Indemnity Reviews). These policy reviews are one facet of an AIP’s system of internal controls to meet FCIC’s quality control guidelines. During these reviews, AIPs are responsible for verifying information supporting producers’ claims, such as the number of insurable colonies owned or the locations of the insured colonies, through documentation reviews or contacting a third party to validate the information provided. AIPs are required to report when they complete these reviews to RMA.

RMA conducts oversight of its crop insurance programs by performing reviews in accordance with the Improper Payments Elimination and Recovery Improvement Act (IPERIA).¹² IPERIA requires agencies and entities with improper payment estimates that do not meet statutory thresholds to report an estimate of the annual amount and rate of improper payments. Due to issues that RMA identified in IPERIA reviews, the agency has conducted several expanded reviews (program assessments) of the Apiculture Program.

⁷ A “grid ID” is a specific number assigned to each grid and is determined based on a point of reference selected by producers using the interactive maps and tools on RMA’s website. During the application process, producers must select at least two 2-month time periods in which precipitation is important for the growth and production of the forage species. These time periods are called Index Intervals. Furthermore, a “coverage level” and “productivity factor” are percentage factors selected by producers that allow them to tailor their coverage based on the productivity of the acreage of the insured crop.

⁸ The same colonies cannot be insured in more than one grid ID or county.

⁹ RMA developed a lease certification form to verify that there is a lease in place; however, if revealed that the lease certification form was false and no lease existed, the policy is voided.

¹⁰ USDA FCIC, *2020 Rainfall and Vegetation Index Insurance Standards Handbook* (Aug. 2019).

¹¹ “Eligible Crop Insurance Contract” and insurance “policies” are used interchangeably throughout the program. For purposes of consistency, we used the term “policies” throughout this report.

¹² Improper Payments Elimination and Recovery Improvement Act of 2012, Pub. L. No. 112-248.

Objectives

Our objective was to evaluate RMA's administration and oversight of the Apiculture Pilot Insurance Program.

Section 1: Oversight of the Apiculture Program

Finding 1: RMA Needs to Strengthen Supporting Documentation Used to Support Leases

In CY 2020, RMA implemented the lease certification form as a response to compliance issues identified with the Apiculture Program’s lease documentation requirements.¹³ For three of the five Apiculture Program policies we reviewed that used lease certification forms in lieu of providing lease agreements, we found the forms did not provide sufficient information to verify that a lease was in place.¹⁴ This occurred because RMA’s guidance for lease certification forms does not require producers to provide critical information, such as lessor (i.e., landowner or landlord) contact information for a reviewer to verify or lessor signature to validate the existence of a lease. As a result, the lack of lessor information required on the form hinders the reviewer’s ability to properly confirm eligibility for the Apiculture Program and potentially puts producers at risk for not meeting insurability requirements.¹⁵ Therefore, due to the lack of verifiable information provided on the lease certification forms, the indemnities paid on the three policies, totaling \$442,188, are questionable.

RMA’s 2020 *Rainfall and Vegetation Index Insurance Standards Handbook* states, “[t]o be insured, colonies must be located on acreage the insured owns or leases that allows the placement of colonies on the acreage. The insured must possess, when requested for audit or review, acceptable verifiable written documentation of a lease.¹⁶ A lease must be a written document granting use or occupation of property for a specified compensation, during a specified period of time . . . Verbal agreements are NOT acceptable verifiable documentation . . . The lease certification form may be used; however, the information submitted on the lease certification form may be used to verify that there is a lease in place and if revealed that the lease certification form was false and no lease existed, the policy will be void.”¹⁷

¹³ In 2019, RMA’s Midwest and Western Regional Compliance Offices completed two assessments of the Apiculture Program for CYs 2017 and 2018. The program assessments identified insufficient lease documentation as one of the primary areas of noncompliance. In response, RMA issued a memorandum emphasizing longstanding lease requirements and developed a standardized form to document leases. The lease certification form was implemented in the 2020 *Rainfall and Vegetation Index Insurance Standards Handbook* and applicable for CY 2020 and succeeding years.

¹⁴ All three policies that did not provide sufficient information were administered by one AIP and used RMA’s lease certification form. In CY 2020, indemnities paid for the three policies totaled \$442,188. The other two policies used revised lease certification forms developed by the AIPs who administered each policy. The revised forms required lessor contact information for a reviewer to verify or required the lessor’s signature for third-party validation of the form and to document the agreement in place.

¹⁵ For CY 2020, nationwide, Apiculture Program producers received more than \$77.5 million in indemnities, of which more than \$47.2 million went to California and Florida producers.

¹⁶ Legal deeds can be provided in lieu of lease agreements.

¹⁷ USDA FCIC, *2020 Rainfall and Vegetation Index Insurance Standards Handbook* (Aug. 2019).

Further, RMA’s handbook provides instructions for the lease certification form and the minimum requirements for the form.¹⁸ Figure 1, below, shows the example of the lease certification form provided in RMA’s guidance.¹⁹

Figure 1: RMA Lease Certification Form

U.S. DEPARTMENT OF AGRICULTURE Risk Management Agency		State
		County
		Policy Number
LEASE AGREEMENT CERTIFICATION		
Operator/Tenant (Lessee) (Print):		
Landowner/Landlord (Lessor) (Print):		
Address(es), FSA Farm Number(s), or Latitude and Longitude	Number of Acres Leased	Lease Commenced on
Lease Expires on		
Terms of the Lease Agreement (Check the appropriate box for the applicable program):		
For PRF/AF: <input type="checkbox"/> Dollar/Acre Rental Arrangement <input type="checkbox"/> Cash or Fixed Dollar Amount <input type="checkbox"/> Share Rent <input type="checkbox"/> Rate of Gain <input type="checkbox"/> Cost Per Head, Per Day or Month <input type="checkbox"/> Animal Unit Month Basis <input type="checkbox"/> Other, (Specify):		For Apiculture: <input type="checkbox"/> Dollar/Acre Rental Arrangement <input type="checkbox"/> Cash or Fixed Dollar Amount <input type="checkbox"/> Share Rent <input type="checkbox"/> Other, (Specify):
<i>I certify that I entered into a lease agreement with the Lessor specified in Item B beginning on the date specified in Item E and ending on the date in Item F. I certify that the terms of the lease agreement entered in Item G are true and correct for the specified farm(s) listed in Item C for the period of the lease agreement entered in Items E and F.</i>		
Signature of Lessee (By)	Title/Relationship of the Individual Signing in a Representative Capacity	Date (MM-DD-YYYY)

We reviewed RMA’s lease certification form and determined that it is not a sufficient control to ensure that producers had the right to place bee colonies on insured land. This form and RMA’s accompanying guidance do not require the producer to provide the lessor’s contact information to verify the existence of a lease or third-party validation of the agreement via lessor signature, which is critical information because the lease certification form is completed and self-certified by the producer. Without this information, a reviewer is unable to verify with a third party that there is a lease in place and that insurability requirements were met.

To determine if producers met insurability requirements, we non-statistically selected nine CY 2020 Apiculture policies in California and Florida.²⁰ Of the nine policies selected, five policies used lease certification forms in lieu of providing leases.²¹ Three policies used RMA’s lease certification form, while the other two policies used lease certification forms revised by the AIPs who administered the policies.²² One revised form required lessor contact information and

¹⁸ RMA guidance allows AIPs to develop their own lease certification forms as long as forms comply with “substantive standards,” as illustrated in Figure 1, and applicable state laws.

¹⁹ USDA FCIC, *2020 Rainfall and Vegetation Index Insurance Standards Handbook* (Aug. 2019).

²⁰ We reviewed nine apiculture policies non-statistically selected from four AIPs that sold over 95 percent of the policies in California and Florida in CY 2020. Indemnity payments for the nine policies reviewed totaled \$1,614,170.

²¹ Four of the nine policies we reviewed provided lease agreements as documentation to verify insurability.

²² The three policies that used RMA’s lease certification form were administered by one AIP. The other two policies that used revised lease certification forms were administered by two different AIPs.

the AIP provided documentation of reviewer verification with the lessor, and the other revised form required the lessor to validate the agreement via signature.

For all three policies using RMA's lease certification form (see Figure 1), we determined that the information provided was inadequate because the forms indicated that the leases were verbal agreements and no lessor contact information was provided to verify the existence of valid leases. When we requested additional information from the AIP responsible for the three policies in question, the AIP's representative stated their belief that the RMA lease certification forms were sufficient. Without additional information to verify with the lessor that a valid lease agreement was in place, the producers' eligibility for the program is questionable.

Furthermore, we spoke with representatives from the two AIPs responsible for the two policies in our review that used revised lease certification forms. Representatives from both AIPs stated that to verify the information on the form is accurate, they contact the lessor, and each AIP developed its own lease certification form to capture more verifiable information from a third party. One AIP revised RMA's lease certification form to require lessor contact information, such as contact telephone number, email, and address, and the other AIP revised the form to require lessor signature to validate the agreement between both parties. In addition, an AIP representative stated that they do not use RMA's lease certification form because it puts the producer at risk to have their policy voided if any of the information provided is incorrect.

RMA officials stated that the lease certification form was developed to document that there was an agreement between the landowner and the producer. They further stated that the expectation was that if sufficient information was not provided on the form, then the reviewer should contact the producer to get more information.

We acknowledge the insured producer's responsibility to provide the information if requested and the reviewer's responsibility to verify the information, but we concluded that the lack of lessor contact information or signature required on RMA's form hinders the ability of a reviewer to properly confirm the producer's eligibility for the program. RMA officials responded that the lack of lessor contact information on the lease certification form may hinder the review, but their position was that it should not prevent the review from being completed as this information is required to be provided by the insured if requested.

The lack of clarity has also prompted inconsistencies as to the type of information gathered by the reviewer as evidenced by the different approaches taken by the two AIPs we spoke to that revised the form. Additionally, since the lease certification form is only completed and self-certified by the producer, RMA should strengthen its lease certification form to improve consistency of the information gathered to verify agreements in place with lessors.

Therefore, RMA should require that the AIP responsible for administering the three policies identified with insufficient lease documentation provide adequate support that producers had the right to place colonies on insured land; and, if adequate support is not provided, recover the \$442,188 in indemnities paid for the three policies. RMA should also revise the lease certification form guidance to incorporate additional information for reviewers to validate the accuracy and completeness of the producers' self-certified information.

Recommendation 1

Require that the AIP responsible for administering the three policies identified with insufficient lease documentation provide adequate support that producers had the right to place colonies on insured land; and, if adequate support is not provided, recover the \$442,188 in indemnities paid for the three policies.

Agency Response

RMA accepts this recommendation. RMA has requested information from the AIP for the sampled policies and will issue findings if our review determines adequate support is not provided. RMA's review will be completed by March 31, 2023.

OIG Position

We concur with RMA's proposed corrective actions, but are unable to reach management decision at this time. In order to reach management decision, RMA needs to provide us its final determination with the amounts that did not have adequate supporting documentation, and provide evidence that these amounts have been entered in the agency's accounting records. We have provided RMA information on the three sampled policies that did not have adequate supporting documentation under a separate cover.

Recommendation 2

Revise the lease certification form guidance to incorporate additional information for reviewers to validate the accuracy and completeness of the producers' self-certified information.

Agency Response

RMA accepts this recommendation and will revise the lease certification form to include additional landowner contact information by the August 31, 2023, contract change date for the 2024 crop year.

OIG Position

We accept RMA's management decision on this recommendation.

Finding 2: RMA Needs to Strengthen Its Oversight Process to Ensure AIPs Comply with Review Requirements

Our review disclosed that the AIP reviewed was not in compliance with the review requirements for policies that pay indemnities of \$200,000 or more (\$200,000 Indemnity Reviews).²³ Specifically, this AIP did not report two of the four required Apiculture Program policy reviews for CY 2020 and, for the two reviews they did perform, the AIP did not obtain supporting documentation from producers to support colony counts or placement of colonies at insured locations. This occurred because RMA relied on the AIPs to comply with review requirements and did not have an adequate oversight process to ensure that AIPs reported all required \$200,000 Indemnity Reviews. Without adequate reviews of these policies, there is reduced assurance that the payments made for the four policies in CY 2020—totaling \$1,082,604—met all insurability requirements.^{24, 25}

Apiculture Program indemnity reviews of \$200,000 or more, which the SRA requires, are one facet of an AIP's responsibility for establishing a system of internal controls to meet FCIC's quality control guidelines. For these reviews, AIPs are responsible for items such as correcting any errors or omissions identified during any inspection or review, and preparing and providing FCIC with an Electronic Quality Control Review Record detailing the results of the review within 20 business days of completing each review.²⁶ To meet these requirements, AIPs are required to report the results of these reviews to RMA via quality control reporting records.²⁷

In August 2019, RMA issued a memorandum that implemented a data mining approach for selecting Apiculture Program policies subject to \$200,000 Indemnity Reviews, instead of conducting a review of all policies receiving \$200,000 payments or more.²⁸ For CY 2020, this approach reduced the numbers of required reviews AIPs conducted in California and Florida from 30 to 7, which resulted in a decrease in the number of \$200,000 Indemnity Reviews by more than 76 percent.^{29, 30}

²³ Based on RMA's data mining selection process, there were seven indemnity payments, serviced by three AIPs, identified for \$200,000 Indemnity Reviews in California and Florida for CY 2020, totaling \$1,810,328. From the seven identified, we non-statistically selected a sample of four reviews administered by one AIP with indemnity payments totaling \$1,082,604. The remaining three policies requiring review totaled \$727,724.

²⁴ In CY 2020, California and Florida had 30 policies over the \$200,000 threshold totaling \$7,763,158.

²⁵ Although our review was limited to CY 2020 Apiculture policies in California and Florida, this could potentially impact \$200,000 Indemnity Reviews of Apiculture policies nationwide.

²⁶ The SRA Appendix IV requires that AIPs conduct and report reviews of policies with indemnities of \$200,000 or more.

²⁷ The quality control reporting record currently used is the Type P-57 report within the RMA Policy Acceptance and Storage System.

²⁸ Data mining is the practice of searching through large amounts of computerized data to find useful patterns or trends.

²⁹ RMA contracts with a third party for data warehousing, data mining, and analytics.

³⁰ An RMA official stated that RMA's intent in implementing data mining was to target policies with more egregious loss adjustments. The decision to implement data mining for its selection process was not limited to Apiculture Program policies and included other crop insurance policies; therefore, we did not assess RMA's rationale for using this methodology as this was outside the scope of this audit.

To verify the adequacy of AIP \$200,000 Indemnity Reviews, we requested documentation for four of the seven required apiculture indemnity reviews in California and Florida for CY 2020. Our review disclosed that, for all four policy files, the AIP responsible was noncompliant with SRA requirements. For example, for two of the four indemnities, the AIP did not report the results of the \$200,000 Indemnity Review to RMA. Of these two indemnities, the AIP's representative stated that one policy had been incorrectly withdrawn from the review and the other policy had been reviewed; however, the results of the review were not transmitted to RMA.

For the other two policies, the files did not contain all required supporting documentation. RMA's Rainfall Index Apiculture Crop Provisions state that, "[t]he total number of colonies you insure in all grids under all policies cannot exceed the total number of all your insurable colonies in the United States" and, to be insured, "[c]olonies must be: . . . located on acreage the insured owns or leases." However, these two policy files did not contain sufficient evidence to support producers' total insurable colony counts or to support placement of colonies at insured locations. Moreover, the AIP's representative could not provide or identify the specific documentation used to verify colony counts or placement of colonies for these two policies.³¹

This occurred because RMA relied on the AIPs to comply with review requirements. When asked about the reviews in question, an RMA official responded that they were unaware that the AIP had not reported the two reviews and stated that it is the AIP's responsibility to ensure they conduct all reviews that the SRA requires. The official added that due to the large size of the overall crop insurance program, RMA does not have the resources to verify that 100 percent of policies requiring reviews are completed.

Further, although RMA has a requirement for AIPs to report \$200,000 Indemnity Reviews on quality control reporting records, RMA does not have written procedures to routinely review these reports to ensure that AIPs have conducted the reviews. We understand that RMA may not have the resources to perform in-depth reviews on all policies but, at a minimum, RMA should ensure AIPs understand their responsibilities and verify that they report the required \$200,000 Indemnity Reviews to RMA.

If AIPs are not compliant with the review requirements, there is reduced assurance that producers have met insurability requirements and, as a result, the indemnity payments made to producers are questionable. Therefore, we believe RMA should review the four \$200,000 Indemnity Reviews identified for CY 2020 in California and Florida and, if producers do not provide adequate support, recover \$1,082,604 in indemnity payments. In addition, RMA should review the remaining three required \$200,000 Indemnity Reviews for CY 2020 in California and Florida for adequate supporting documentation and if adequate support is not provided, recover \$727,724 in indemnity payments. Further, RMA should consider whether the issues identified regarding the \$200,000 Indemnity Reviews are applicable to other states, and if so, expand the review accordingly. Finally, to improve the process, RMA should develop written procedures to ensure the agency routinely reviews quality control reporting records for \$200,000 Indemnity Reviews and follows up with any AIPs that are noncompliant with requirements.

³¹ RMA's compliance offices also identified these same issues during their CY 2018 Apiculture Program Assessment. In response, RMA issued guidance for CY 2021 regarding what verifiable evidence AIPs must obtain to support verification of colony count and placement of colonies during AIP reviews.

Recommendation 3

Review the four \$200,000 Indemnity Reviews identified for CY 2020 in California and Florida, and if adequate support is not provided, recover \$1,082,604 in indemnity payments.

Agency Response

RMA accepts this recommendation. RMA has requested information from the AIPs for the sampled policies and will issue findings if our review determines adequate support is not provided. RMA's review will be completed by March 31, 2023.

OIG Position

We concur with RMA's proposed corrective actions, but are unable to reach management decision at this time. In order to reach management decision, RMA needs to provide us its final determination with the amounts that did not have adequate supporting documentation, and provide evidence that these amounts have been entered in the agency's accounting records. We have provided RMA information on the four \$200,000 Indemnity Reviews that did not have adequate supporting documentation under a separate cover.

Recommendation 4

Review the remaining three required \$200,000 Indemnity Reviews for CY 2020 in California and Florida for adequate supporting documentation; if adequate support is not provided, recover \$727,724 in indemnity payments.

Agency Response

RMA accepts this recommendation. RMA has requested information from the AIPs for the sampled policies and will issue findings if our review determines adequate support is not provided. RMA's review will be completed by March 31, 2023.

OIG Position

We concur with RMA's proposed corrective actions, but are unable to reach management decision at this time. In order to reach management decision, RMA needs to provide us its final determination with the amounts that did not have adequate supporting documentation, and provide evidence that these amounts have been entered in the agency's accounting records. We have provided RMA information on the three required \$200,000 Indemnity Reviews under a separate cover.

Recommendation 5

Consider whether the issues identified regarding the \$200,000 Indemnity Reviews are applicable to other states, and if so, expand the review accordingly.

Agency Response

RMA accepts this recommendation. During RMA's annual Approved Insurance Provider Performance Review, RMA assesses the adequacy of AIP's \$200,000 Quality Control Review process through policy sampling, data reports, walkthroughs, systems test, and/or interviews. RMA will be reviewing three AIPs this year and will utilize this process as an expanded sampling mechanism to establish whether issues exist in RMA's \$200,000 review process. Annual Approved Insurance Provider Performance Reviews will be completed by August 31, 2023.

OIG Position

We accept RMA's management decision on this recommendation.

Recommendation 6

Develop written procedures to ensure quality control reporting records for \$200,000 Indemnity Reviews are routinely reviewed and follow up with AIPs that are noncompliant with requirements.

Agency Response

RMA accepts this recommendation. During RMA's annual Approved Insurance Provider Performance Review, RMA assesses the adequacy of AIP's \$200,000 Quality Control Review process through policy sampling, data reports, walkthroughs, systems test, and/or interviews. RMA will be reviewing three AIPs this year and will utilize this process as a sampling mechanism to determine whether the existing written procedures are sufficient to establish whether issues exist in RMA's \$200,000 review process. If not, RMA will modify the written guidance, as necessary. Annual Approved Insurance Provider Performance Reviews will be completed by August 31, 2023.

OIG Position

We accept RMA's management decision on this recommendation.

Section 2: Administration of the Apiculture Program

Finding 3: Apiculture Program Indemnity Payment Calculations Do Not Differentiate Between Irrigated and Non-Irrigated Farming Practices

Although the Apiculture Program pays indemnities based on a lack of or decline in precipitation, the indemnity payment calculations do not differentiate between irrigated and non-irrigated farming practices. This occurred because the program submitter did not design the program's payment structure to account for differences in production due to differing types of irrigation practices.³² As a result, producers insuring bee colonies on irrigated land are able to receive the same level of indemnity payments even if they may not have been impacted by the lack of or decline in precipitation.

The Federal Crop Insurance Act requires that, “[t]o maximize participation in the Federal crop insurance program and to ensure equity for producers, the Corporation [FCIC] shall periodically review the methodologies employed for rating plans of insurance under this chapter consistent with section 1507(c)(2) of this title.”³³

Even though the program submitter represented the Apiculture Program methodologies to be the same as those used in the Pasture, Rangeland, Forage (PRF) Program³⁴ during their product submission process, we found that, unlike the PRF Program, the Apiculture Program does not differentiate between irrigated and non-irrigated farming practices.³⁵ The Apiculture product submission document states, “the rating methodology and premium rates utilized in the Rainfall Apiculture program are identical to the previously reviewed and approved rates for the PRF Rainfall Index program. The same rates are utilized in the Apiculture Program because the risk, frequency, and severity of loss will be exactly the same as the PRF Rainfall program.”

Furthermore, during the Apiculture submission and approval process in 2007, five independent reviewers conducted a review of the insurance plan proposal. The independent review noted concerns with the submitted proposal, such as the lack of evidence to show a link between rainfall and production, misinterpretations of cited literature, and a flaw in the program design that was moving the agency farther away from truth of loss.³⁶ It was also emphasized that the Apiculture Program follows the same methodology used for the PRF Program and if any changes are made to the PRF Program, then the Apiculture Program should be revisited. However, when RMA updated the PRF program indemnity payment pricing structure to account for differences

³² The program submitter is a private party who submitted the Apiculture Program to FCIC and who still owns the program. Therefore, any changes or improvements suggested for the Apiculture Program must be agreed to by the program submitter before they can be implemented.

³³ 7 U.S.C. § 1508(i)(2).

³⁴ The PRF Program and the Apiculture Program are both Rainfall Index programs that pay indemnities based on a lack of precipitation.

³⁵ The program submitter developed the product submission document (proposal) and submitted it to FCIC for approval.

³⁶ The review referred to “loss” as the amount of operational loss actually experienced by producers.

in production on irrigated versus non-irrigated land, based on findings from a prior OIG audit, the Apiculture Program was not revisited to account for the changes in PRF's methodology.³⁷

When we discussed the differences in production for bee colonies placed on irrigated versus non-irrigated land, an RMA official responded that the agency had previously raised this issue with the program submitter, and the submitter was adamant that irrigation on insured land had no impact on indemnity payments. This official also stated that because Apiculture is still owned by the submitter, if changes to the Apiculture Program are proposed, the submitter must agree to the proposed changes before the changes can be implemented.

During our discussion with two officials of the program submitter, the officials were opposed to implementing different pricing structures for losses incurred on irrigated versus non-irrigated land. One argument presented was that the bees are mobile and, if the irrigated crops do not provide the same nutrition, they may fly farther and expend more energy to go to the native plants. When asked whether the submitters have seen any studies or conducted any studies to support their position, they admitted there have been no published studies on the foraging habits of bees between irrigated and non-irrigated land. We recognize the submitters' position, as the subject matter experts, to support the current pricing structure; however, the lack of studies to conclusively support this position leaves unanswered questions as to the appropriateness of rates being applied, especially when irrigated practices are employed.

In practice, Apiculture policyholders are insuring against the lack of or decline in precipitation on a specific grid and do not insure against a lack of production. When a grid is irrigated, it is receiving more precipitation than a non-irrigated grid; however, this additional precipitation is not recorded by NOAA, who is responsible for collecting weather data that is used for the rainfall index. As a result, when determining whether a grid is eligible for an indemnity payment, only the data collected from NOAA is included in the indemnity calculations. Therefore, based on this information, it does not appear that the type of plants and mobility of bees factor into the eligibility for Apiculture indemnity payments.

Without differentiating between irrigated and non-irrigated farming practice, producers insuring bee colonies on irrigated land are able to receive the same level of indemnity payments even if they may not have been impacted by the lack of or decline in precipitation. Therefore, RMA should work with the FCIC Board to request that the program submitter conduct research to determine whether differences in moisture levels on irrigated and non-irrigated land impact honeybees' foraging behavior. If performed, RMA should evaluate the results of the research and require the program submitter to adjust the Apiculture Program payment structure, as applicable.

³⁷ See OIG Audit Report 05601-0003-31, *RMA: Rainfall and Vegetation Index Pilot Program—Pasture, Rangeland, Forage*, April 2015. In this audit, OIG concluded that the PRF Program's coverage of irrigated hay land should be modified to account for the material difference irrigation has on production. OIG gathered testimony from expert witnesses who indicated that, while a lack of rainfall may have some impact on the production of irrigated crops, the impact is materially less severe than the impact a lack of rainfall would have on the production of non-irrigated crops. RMA subsequently updated the PRF Program indemnity payment pricing structure to account for differences in production on irrigated versus non-irrigated land.

Recommendation 7

Work with the FCIC Board to request that the program submitter conduct research to determine whether differences in moisture levels on irrigated and non-irrigated land impact honeybees' foraging behavior.

Agency Response

RMA accepts this recommendation. RMA will work with the FCIC Board to request the submitter to conduct research to determine whether differences in moisture levels on irrigated and non-irrigated land impact honeybees' foraging behavior by the May 2023 FCIC Board meeting.

OIG Position

We accept RMA's management decision on this recommendation.

Recommendation 8

Evaluate results of the research, if performed, and require the program submitter to adjust the Apiculture Program payment structure, as applicable.

Agency Response

RMA accepts this recommendation. RMA will work with the program submitter to adjust the Apiculture Program payment structure by December 6, 2023, if the program submitter performs the study in recommendation 7.

OIG Position

We accept RMA's management decision on this recommendation.

Scope and Methodology

We conducted an audit of RMA's administration and oversight of the Apiculture Insurance Program for commodity years 2018–2019 and, due to changes in guidance, subsequently expanded the scope to include commodity year 2020 apiculture policies.³⁸ We initiated our audit in February 2021 and completed our fieldwork in November 2022. Due to Federal travel restrictions imposed because of the COVID-19 pandemic, we conducted all fieldwork remotely.

During CY 2020, AIPs sold 3,930 Apiculture Program policies nationwide, with 1,988 being sold in California and Florida. Of the 1,988 policies sold in California and Florida for CY 2020, 1,729 received indemnity payments. For CY 2020, California and Florida Apiculture producers received \$47,207,970 in indemnity payments, from the \$77,571,792 payments made nationwide.

During CY 2020, nine AIPs sold and serviced 1,988 Apiculture policies in California and Florida. We non-statistically selected California and Florida for review because these two States had: (1) the highest number of sold policies, (2) the highest indemnity payments, and (3) the highest premiums received.³⁹

We selected two separate non-statistical samples for different purposes:

- 1) First, we non-statistically selected a total of nine apiculture policies from the four AIPs that sold 95.8 percent of the Apiculture policies in California and Florida during CY 2020, to determine if producers met Apiculture insurability requirements.⁴⁰ Indemnity payments for the nine policies reviewed totaled \$1,614,170.
- 2) Second, we non-statistically selected a sample of four of the seven required \$200,000 Indemnity Reviews for CY 2020 in California and Florida to determine if AIP reviews were adequate.⁴¹ The four reviews selected were administered by one AIP with indemnity payments totaling \$1,082,604.⁴²

³⁸ RMA implemented the lease certification form in the *2020 Rainfall and Vegetation Index Insurance Standards Handbook*. Additionally, RMA implemented a data mining approach to select policies for review with indemnity payments at or above \$200,000. These changes went into effect for CY 2020 policies.

³⁹ Apiculture policies are available to purchase in 48 states.

⁴⁰ Specifically, from three of the four AIPs, we selected one policy with an indemnity payment above the \$200,000 Indemnity Review threshold and one policy with an indemnity payment below the \$200,000 Indemnity Review threshold, totaling six policies. From the fourth AIP, we selected three policies that paid out duplicate indemnity amounts under the \$200,000 Indemnity Review threshold. This AIP did not have any indemnity payments over \$200,000.

⁴¹ Based on RMA's data mining selection process, there were seven indemnity payments, serviced by three AIPs, identified for \$200,000 Indemnity Reviews in California and Florida for CY 2020, totaling \$1,810,328.

⁴² The three policies with an indemnity payment over \$200,000 in the first sample were not identified as requiring review under RMA's newly implemented data mining selection approach.

To accomplish our objectives, we:

- Reviewed pertinent laws, regulations, policies, procedures, and guidance to gain an understanding of the program. This included RMA guidance contained in the Standard Reinsurance Agreement, *Rainfall and Vegetation Index Standards Handbook* (2018 and 2020 version), Rainfall Index Apiculture Crop Provision-20 RI-API, Federal Crop Insurance Act, *RMA New Program Development Handbook*, Rainfall Index Plan Common Policy 21-RI, *2018 General Standards Handbook*, and *Program Evaluation Handbook*.
- Reviewed prior OIG audit reports to determine if previously reported issues applied to the current audit.
- Contacted OIG’s Office of Analytics and Innovation to determine if personnel could provide information pertaining to the Apiculture Program.
- Interviewed RMA officials via teleconference that included personnel in two Regional Offices, three Regional Compliance Offices, and the Product Management Division, to gain an understanding of the Apiculture Program.
- Obtained and examined documentation collected by sampled AIPs supporting indemnities paid to insured producers with CY 2020 apiculture policies to determine if supporting documentation was adequate and complied with RMA guidance.
- Interviewed two AIPs to obtain information on their policies and practices regarding the Apiculture Program.
- Interviewed program submitter personnel to obtain their positions on issues presented in this audit report.

We assessed internal controls to satisfy the audit objectives. Our assessment included internal control components and principles of the Standards for Internal Control in the Federal Government.⁴³ In particular, we assessed the following components and underlying principles:

Component	Principle
Control Environment	Management should evaluate performance and hold individuals accountable for their internal control responsibilities.
Control Activities	Management should implement control activities through policies.
Control Environment	Management should establish an organizational structure, assign responsibility, and delegate authority to achieve the entity’s objectives.

⁴³ United States Government Accountability Office, *Standards for Internal Control in the Federal Government*, GAO-14-704G (Sept. 2014).

However, because our review was limited to these internal control components and underlying principles, it may not have disclosed all internal control deficiencies that may have existed at the time of this audit.

We conducted limited testing of RMA's Policy Acceptance and Storage System, which is used for determining the crop insurance premiums and indemnities. Our testing included the tracing of total indemnity amounts that were calculated by the four AIPs back to RMA's data and validating the number of policies sold for selected states, with publicly available data. We determined that the data were sufficiently reliable for the purposes of this report. However, we did not assess the overall reliability of any RMA information systems, as we did not rely solely on system data to support the reported findings, conclusions, and recommendations. Evaluating the effectiveness of RMA information systems or information technology controls was not part of the audit objective.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Abbreviations

AIP	Approved Insurance Provider
CY	crop year
FCIC	Federal Crop Insurance Corporation
ID	identification
IPERIA	Improper Payments Elimination and Recovery Improvement Act
NOAA	National Oceanic and Atmospheric Administration
OIG.....	Office of Inspector General
PRF.....	Pasture, Rangeland, Forage
RMA.....	Risk Management Agency
SRA.....	Standard Reinsurance Agreement
USDA	United States Department of Agriculture

Exhibit A: Summary of Monetary Results

Exhibit A summarizes the monetary results for our audit report by finding and recommendation number.

Finding	Recommendation	Description	Amount	Category
1	1	Payments made to producers without adequate supporting documentation	\$442,188	Unsupported Costs or Loans, Recovery Recommended
2	3	Payments made to producers without adequate supporting documentation	\$1,082,604	Unsupported Costs or Loans, Recovery Recommended
2	4	Payments made to producers without adequate supporting documentation	\$727,724	Unsupported Costs or Loans, Recovery Recommended
Total			\$2,252,516	

**RMA's
Response to Audit Report**



United States
Department of
Agriculture

Farm Production
and Conservation

Risk
Management
Agency

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January 10, 2023

TO: Yarisis Rivera-Rojas
Acting Assistant Inspector General for Audit
Office of Inspector General

FROM: Heather Manzano /S/ **Acting Ronie Griffin**
Audit Liaison Official
Risk Management Agency

SUBJECT: Office of Inspector General Audit 05601-0002-41 Apiculture Pilot
Insurance Program

This memorandum is the response to the Office of Inspector General Audit 05601-0002-41 Apiculture Pilot Insurance Program Draft, and the RMA requests Management Decision for recommendations 1 through 8 for the OIG audit 05601-0002-41 Apiculture Pilot Insurance Program.

Recommendation 1

Require that the AIP responsible for administering the three policies identified with insufficient lease documentation provide adequate support that producers had the right to place colonies on insured land; and if adequate support is not provided, recover the \$442,188 in indemnities paid for the three policies.

RMA Response to Recommendation 1

RMA accepts this recommendation. RMA has requested information from the AIP for the sampled policies and will issue findings if our review determines adequate support is not provided. RMA's review will be completed by March 31, 2023.

Recommendation 2

Revise the lease certification form guidance to incorporate additional information for reviewers to validate the accuracy and completeness of the producers' self-certified information.

RMA Response to Recommendation 2

RMA accepts this recommendation and will revise the lease certification form to include additional landowner contact information by the August 31, 2023 contract change date for the 2024 crop year.

Recommendation 3

Review the four \$200,000 Indemnity Reviews identified for CY 2020 in California and Florida, and if adequate support is not provided, recover \$1,082,604 in indemnity payments.

RMA Response to Recommendation 3

RMA accepts this recommendation. RMA has requested information from the AIPs for the sampled policies and will issue findings if our review determines adequate support is not provided. RMA's review will be completed by March 31, 2023.

Recommendation 4

Review the remaining three required \$200,000 Indemnity Reviews for CY 2020 in California and Florida for adequate supporting documentation; if adequate support is not provided, recover \$727,724 in indemnity payments.

RMA Response to Recommendation 4

RMA accepts this recommendation. RMA has requested information from the AIPs for the sampled policies and will issue findings if our review determines adequate support is not provided. RMA's review will be completed by March 31, 2023.

Recommendation 5

Consider whether the issues identified regarding the \$200,000 Indemnity Reviews are applicable to other states, and if so, expand the review accordingly.

RMA Response to Recommendation 5

RMA accepts this recommendation. During RMA's annual Approved Insurance Provider Performance Review (APR), RMA assesses the adequacy of AIP's \$200K Quality Control (QC) Review process through policy sampling, data reports, walkthroughs, systems test, and/or interviews. RMA will be reviewing three AIPs this year and will utilize this process as an expanded sampling mechanism to establish whether issues exist in RMA's \$200K review process. APRs will be completed by August 31, 2023.

Recommendation 6

Develop written procedures to ensure quality control reporting records for \$200,000 Indemnity Reviews are routinely reviewed and follow up with AIPs that are noncompliant with requirements.

RMA Response to Recommendation 6

RMA accepts this recommendation. During RMA's annual Approved Insurance Provider Performance Review (APR), RMA assesses the adequacy of AIP's \$200K Quality Control (QC) Review process through policy sampling, data reports, walkthroughs, systems test, and/or interviews. RMA will be reviewing three AIPs this year and will utilize this process as a sampling mechanism to determine whether the existing written procedures are sufficient to establish whether issues exist in RMA's \$200K review process. If not, RMA will modify the written guidance, as necessary. APRs will be completed by August 31, 2023.

Recommendation 7

Work with the FCIC Board to request that the program submitter conduct research to determine whether differences in moisture levels on irrigated and non-irrigated land impact honeybees' foraging behavior.

RMA Response to Recommendation 7

RMA accepts this recommendation. RMA will work with the FCIC Board to request the submitter to conduct research to determine whether differences in moisture levels on irrigated and non-irrigated land impact honeybees' foraging behavior by the May 2023 FCIC Board meeting.

Recommendation 8

Evaluate results of the research, if performed, and require the program submitter to adjust the Apiculture Program payment structure, as applicable.

RMA Response to Recommendation 8

RMA accepts this recommendation. RMA will work with the program submitter to adjust the Apiculture Program payment structure by December 6, 2023, if the program submitter performs the study in recommendation 7.

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