

For: State and County Offices

**COR Findings Affecting DCP and General Information Related to the  
End of the 2006 Contract Period**

Approved by: Deputy Administrator, Farm Programs



**1 Overview**

**A Background**

Two separate COR reviews have been conducted that identified various program deficiencies related to DCP and payments to eligible producers:

- National Target Review Report of 2004 DCP and Participant Eligibility was issued in December 2005
- CORP Report for FY 2005 was issued in February 2006.

Both reports identified program deficiencies:

- directly related to DCP administration
- in other program areas that affect the proper issuance of DCP payments to participating producers.

Additional general DCP program administration issues have been raised through cases submitted for equitable relief.

Notice LP-2045 included the following:

- details of CORP finds for DCP, MAL, and LDP
- information about compliance with Improper Payments Information Act (IPIA) of 2002.

**Note:** This notice expands on CORP findings for DCP as they relate to IPIA

Disposal Date	Distribution
January 1, 2007	State Offices; State Offices relay to County Offices

## Notice DCP-160

### 1 Overview (Continued)

#### B Purpose

This notice:

- informs State and County Offices of the findings identified in CORP and National Target Review reports
- reminds County Offices of procedural requirements they should follow based on deficiencies found through CORP and National Target Reviews
- reminds State and County Offices of various program administration issues to ensure 2006 DCP payments are issued properly.

### 2 General DCP Reminders for FY 2006

#### A Late-Filed Deadline for FY 2006

The deadline for enrollment in DCP for FY 2006 was **June 1, 2006**. September 30, 2006 is considered the late-file deadline because it coincides with the end of the contract period. 1-CM, subparagraph 2 A:

- provides guidance for program deadlines
- is applicable to the June 1 enrollment deadline.
- does **not** extend the DCP contract period
- is **not** applicable to the September 30, 2006 late-filed deadline

**Note:** According to 1-DCP, subparagraph 353 B, revisions to CCC-509 shall **not** be made after September 30 of the FY. All signatures for FY 2006 DCP enrollment **must** be obtained by **September 30, 2006**. Documentation submitted by mail **must** be postmarked on or before September 30, 2006.

#### B Revisions to DCP Contracts

A large number of relief cases are being submitted to DAFP for consideration based on producers' failure to revise CCC-509 after filing FSA-578. In many cases, an FSA-321 is being submitted under misaction/misinformation indicating the producer timely reported the acreage but the County Office staff failed to revise CCC-509.

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### 2 General DCP Reminders for FY 2006 (Continued)

#### B Revisions to DCP Contracts (Continued)

CCC-509 Appendix, item 3F specifies that “changes in the farming operation that may affect any determination after the Direct and Counter-Cyclical Program contract is signed, including, but not limited to, ownership changes, producer changes, or changes in the crop share arrangements on the farm, shall be reported to CCC by all applicable producers signing a revised CCC-509 to reflect the change no later than September 30 of the contract period. The failure of producers to timely report changes and file a revised CCC-509 may result in the loss of payments for all producers on the farm for the crop year covered by the contract. In such event, all producers on the contract shall refund to CCC payments received for the crop year, plus interest.”

State and County Offices are reminded that it is the producer’s responsibility to ensure that the shares on CCC-509 accurately reflect their interest in the DCP base acres. Further:

- CCC-509 Appendix, item 3F specifies that producers **must** file revised CCC-509’s no later than September 30 of the contract period
- filing FSA-578 does **not** negate the producer’s responsibility to file a revised CCC-509 if the shares have changed
- when the producer signed CCC-509, they certified that they received a copy of the CCC-509 Appendix.

Many of the cases submitted to DAFP are submitted under misaction/misinformation provisions. 7-CP specifies that “misaction/misinformation relief **cannot** be found if the producer had reason to know an error had been made”. Therefore, by receiving a copy of the CCC-509 Appendix, producers had reason to know that “if their shares change a revised CCC-509 is required”.

State and County Offices shall ensure that producers are informed:

- of **all** program provisions
- that producers are **not** denied the opportunity to revise CCC-509.

After September 30, if it is determined that the shares reflected on CCC-509 are incorrect based on FSA-578 that was filed, State and County Offices shall ensure that **all provisions of 7-CP** are met before submitting a request for relief under misaction/misinformation provisions.

**Reminder:** Since DCP base acres are **not** tied directly to specific land, the shares on FSA-578 and CCC-509 may be different. County Offices shall ensure that the producer has control of enough acreage to support their share claimed on the CCC-509.

## Notice DCP-160

### 3 2004 National Target Review and 2005 COR Findings

#### A Introduction

Several notices have been issued that identified findings of the National Target Review Report for 2004 DCP and CORP Report for FY 2005, including PL-140, CM-536, CM-537, and CM-538.

Issues identified in these notices may impact the proper administration of DCP. The remainder of this paragraph identifies deficiencies found through the National Target Review and CORP reports that affect DCP. The percentage of findings for:

- National Target Review of 2004 (shown in the following tables as **2004**) is the **projected percentage and number of erroneous payments issued nationwide** as result of the identified deficiency
- CORP (shown in the following tables as **2005**) is the percent of County Offices where the deficiency was found.

**Note:** Preliminary results have been received for the National COR report of the estimate of improper payments for FY 2005. Many of the findings in that report are also included in the reports identified in this subparagraph. A final report should be released by September 30, 2006.

#### B DCP Contract Signatures

This table identifies producer and CCC-509 approval signatures deficiencies found.

Description of Finding	Findings		
	2004		2005
	Projected Percentage	Number Affected	
CCC-509's representative signature is accepted without signature authority on file or there is an invalid signature.	6.2%	122,386 payments	46%
CCC-509's approval signature is invalid.	4.4%	86,637 payments	

Notices CM-537 and CM-538 address signature deficiencies found as a result of the various reviews.

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### 3 2004 National Target Review and 2005 COR Findings (Continued)

#### B DCP Contract Signatures (Continued)

COC's are reminded that DCP contracts shall **not** be approved unless all signature requirements have been met. County Offices shall:

- review the following provisions to ensure that valid signatures have been obtained on all CCC-509's:
  - Notices CM-537 and CM-538
  - 1-CM, Part 25 for signature authority provisions
  - 1-DCP for DCP program administration provisions.
- disapprove 2006 DCP contracts if it is determined that all signature requirements have **not** been met and notify affected producers that signatures **must** be obtained by September 30, 2006.

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**3 2004 National Target Review and 2005 COR Findings (Continued)**

**C General DCP Contract Administration**

This table identifies general DCP contract administration deficiencies found.

Description of Finding	Findings		
	2004		2005
	Projected Percentage	Number Affected	
All producers on base acres do <b>not</b> share in DCP payments or the producer does <b>not</b> have an interest in enough acres on the farm to support claimed share of base acres.	2.7%	52,449 payments	
CCC-509 was revised after September 30.	<u>1/</u>		
DCP payment yield established for the farm is incorrect or the FSA-658P is not on file.	4.4%	81,239 payments	22%
Base acres established for the farm are incorrect.	<u>1/</u>		
COC did not review owner payment shares when they were greater than the previous FY share.	<u>1/</u>		
CCC-509 approved before June 1 of the applicable contract period for contracts where a cash rent certification statement was used instead of the owner's signature on CCC-509 or providing a copy of the cash lease.	<u>1/</u>		
CCC-509 approved for successions-in-interest before collections activities were initiated for predecessors that received advance direct payments.	<u>1/</u>		
\$100 late-filed signup fee was <b>not</b> assessed for farms enrolled after June 1.	<u>1/</u>		
Program determinations are <b>not</b> thoroughly documented in COC minutes.	7.7%	261 counties	
DCP provisions are <b>not</b> publicized at least twice during each FY.	7.7%	236 counties	19%
Appeal rights were <b>not</b> given for similar farm selection notification.	2.0%	41,806 payments	
Revised CCC-509 is <b>not</b> attached to the original CCC-509.	10.5%	207,034 payments	

1/ Errors were discovered; however, the occurrences were too few to calculate a valid statistical estimate.

County Offices shall:

- review the deficiencies identified in this subparagraph
- refer to 1-DCP for DCP program administration provisions
- use the reports that have been developed to assist with DCP administration according to 1-DCP, paragraph 852
- take corrective action for any deficiencies found on DCP contracts before issuance of any additional payments for any contract period.

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**3 2004 National Target Review and 2005 COR Findings (Continued)**

**D FAV and Maintenance Payment Reductions**

This table identifies deficiencies discovered about fruit and vegetables (FAV) maintenance payment reductions.

Description of Finding	Findings		
	2004		2005
	Projected Percentage	Number Affected	
The proper payment reduction was <b>not</b> applied resulting from an FAV or wild rice planting violation.	<u>1/</u>		
COC did not establish rates for calculating maintenance default payment reductions.	19%	582 counties	

1/ Errors were discovered; however, the occurrences were too few to calculate a valid statistical estimate.

County Offices shall:

- review the deficiencies identified in this subparagraph
- refer to 1-DCP for DCP program administration provisions
- refer to 4-CP for FAV violations and payment reductions provisions
- take corrective action for any deficiencies found on DCP contracts before issuance of any additional payments for any contract period
- notify producers of applicable overpayments in cases where a payment reduction or violation was not properly assessed.

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**3 2004 National Target Review and 2005 COR Findings (Continued)**

**E DCP Payment Processing**

This table identifies DCP payment processing deficiencies found.

Description of Finding	Findings		
	2004		2005
	Projected Percentage	Number Affected	
The reconciliation report was <b>not</b> run before issuing payments.	34.6%	1,061 counties	18%
“ALL” overpayments are <b>not</b> processed at least every 60 calendar days.	29.4%	901 counties	17%
Advance direct payment is <b>not</b> issued in the month requested by the producer.	6.4%	385,174 payments	20%
Prompt payment interest was <b>not</b> issued for payments that are issued late.	<u>1/</u>		

1/ Errors were discovered; however, the occurrences were too few to calculate a valid statistical estimate.

Failure to follow existing procedure could result in producers being underpaid or overpaid. County Offices shall:

- review the deficiencies identified in this subparagraph
- refer to 1-DCP for DCP administration provisions
- refer to 2-DCP for payment processing provisions
- refer to 61-FI for prompt payment interest provisions
- take corrective action for any deficiencies found about DCP contracts or producer eligibility before issuance of any additional payments for any contract period
- review overpayment registers on a regular basis and take action to correct any condition that results in a producer being listed on an overpayment register in error
- immediately transfer all legitimate debts to common receivables system (CRS).

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**3 2004 National Target Review and 2005 COR Findings (Continued)**

**F Program and Payment Eligibility**

This table identifies DCP program and payment eligibility deficiencies found.

Description of Finding	Findings		
	2004		2005
	Projected Percentage	Number Affected	
Payee does <b>not</b> meet the basic DCP eligibility rules.	<u>1/</u>		
All cropland on the farm has <b>not</b> been reported through FSA-578.	2.1%	135,396 payments	
CCC-502 was <b>not</b> filed or the producer or an authorized representative did not sign the document.	0.8%	11,956 errors	
CCC-501B was <b>not</b> filed.	1.7%	24,666 errors	
AD-1026 was <b>not</b> filed or the producer or an authorized representative did not sign the document.	2.6%	37,613 errors	
Proper adjusted gross income (AGI) determination has <b>not</b> been made or AGI certification was <b>not</b> filed by the producer.	3.0%	210,254 payments	34%
Proper “actively engaged in farming” determination has <b>not</b> been made.	1.1%	122,152 payments	
Proper “person” determination has <b>not</b> been made.	1.5%	87,372 payments	
Proper “cash rent” determination has <b>not</b> been made.	2.9%	290,245 payments	
Proper “foreign person” determination has <b>not</b> been made.	<u>1/</u>		
Changes to the farming operation affecting CCC-502 are <b>not</b> properly documented?	10.4%	150,132 errors	
Changes to the farming operation affecting AD-1026 are <b>not</b> properly documented?	6.7%	96,814 errors	
AGI certification or determination is <b>not</b> updated properly in the web-based eligibility system.	3.1%	44,507 errors	
“Actively Engaged” determination is <b>not</b> updated properly in the web-based eligibility system.	0.4%	5,435 errors	
“Person” determination is <b>not</b> updated properly in the web-based eligibility system.	0.4%	6,275 errors	

1/ Errors were discovered; however, the occurrences were too few to calculate a valid statistical estimate.

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### 3 2004 National Target Review and 2005 COR Findings (Continued)

#### F Program and Payment Eligibility (Continued)

All the factors identified in the table above could result in payments being issued to ineligible producers. County Offices shall:

- review the deficiencies identified in this subparagraph
- refer to 1-DCP for DCP administration provisions
- refer to 2-CP for acreage reporting provisions
- refer to 1-PL for payment limitation provisions
- refer to 2-PL for updating System 36 subsidiary files
- refer to 3-PL for updating the web-based eligibility system
- take corrective action for any deficiencies found about DCP contracts or producer eligibility:
  - before issuance of any additional payments for any contract period
  - by immediately notifying producers of applicable overpayments in cases where payments were issued to ineligible producers.

## Notice DCP-160

### 4 Revising DCP Contracts After September 30

#### A Policy

1-DCP, subparagraph:

- 353 B specifies that revisions to CCC-509 shall **not** be made after September 30 of the FY
- 390 B specifies that the final date for participants to provide all necessary signatures on CCC-509 is June 1 of the FY to be eligible for payments for that FY
- 390 C specifies CCC-509's for which missing signatures are obtained after June 1, but no later than September 30, will be considered late-filed.

**Note:** See subparagraph 2 A for late-filed deadline information for FY 2006.

#### B DCP Contract Software

DCP contract software currently allows dates after September 30 to be entered for producer signature and enrollment dates.

Based on the policy in subparagraph A, software modifications are being implemented to ensure that the date entered as the producer signature enrollment date is on or before September 30 of the applicable FY.

**Note:** County Offices will be allowed to update the producer signature and enrollment date fields after September 30; however, the date entered **must** be a date on or before September 30 of the applicable FY.

Additional software changes are being made to DCP contract software to ensure that certain changes will automatically remove the contract enrollment date. Once the software is released, the contract enrollment date will be removed when:

- farm records management system is updated for the applicable farm for any of the following reasons.
  - operator is changed
  - owner is added to a tract associated with the farm
  - base acres are modified
  - DCP payment yields are modified
- DCP contract shares for the applicable farm are revised.

**Note:** Changes to counter-cyclical advance payment request information will **not** result in the enrollment date being removed from the contract.

**Notice DCP-160**

**4 Revising DCP Contracts After September 30 (Continued)**

**C New Reporting Requirements for Contracts Modified After September 30**

Beginning November 1, 2006, a new report will be released that requires review of all contracts modified after September 30 of the applicable FY. This report:

- identifies all contracts that have an enrollment date updated after September 30
- is **not** generated based on the actual enrollment date entered in the system.

This table provides examples of when contracts will be listed for review.

<b>Example</b>	<b>Listed for Review</b>	<b>Explanation</b>
Producer A signs to 100 percent share of all crops for a 2006 DCP contract on May 1, 2006; but the County Office fails to update DCP contract software until August 15, 2006.	No	<ul style="list-style-type: none"> <li>• County Office should update the producer signature date and contract enrollment dates as May 1, 2006.</li> <li>• Since the update to the system occurred before September 30, the contract will <b>not</b> be listed on the report.</li> </ul>
Producer A signs to 100 percent share of all crops for a 2006 DCP contract on May 1, 2006; but the County Office fails to update DCP contract software until October 15, 2006.	Yes	<ul style="list-style-type: none"> <li>• County Office should update the producer signature date and contract enrollment dates as May 1, 2006.</li> <li>• Since the update to the system occurred after September 30, the contract will be listed on the report.</li> </ul>
The producer signs the 2006 DCP contract on October 1, 2006 for the FY 2006 contract period.	No	The system will no longer allow a date later than September 30 to be entered as the producer signature date. Further, County Offices are <b>not</b> authorized to accept signatures after September 30 of the contract period, so the producer signature date should <b>not</b> be entered. As such, the enrollment date cannot be updated, so the contract will not be listed on the review report.

## Notice DCP-160

### 4 Revising DCP Contracts After September 30 (Continued)

#### C New Reporting Requirements for Contracts Modified After September 30 (Continued)

Beginning November 1, 2006, a State-level report will be available to identify all contracts with an enrollment date that was updated during the previous month.

**Examples:** On November 1, 2006, the October report will list all contracts with enrollment dates entered during October 2006 for the FY 2005 and FY 2006 contract periods.

On December 1, 2006, the November report will list all contracts with enrollment dates entered during November 2006 for the FY 2005 and FY 2006 contract periods.

State Offices will be required to:

- conduct a thorough review of each contract listed on the monthly report to ensure that DCP policy has been administered properly
- take corrective action with County Offices if contracts were updated in error
- provide a detailed explanation to the National Office within 30 calendar days about the circumstances involving the update and the corrective action that has been taken.

A forthcoming 1-DCP amendment will be issued to provide additional information about these reporting requirements.

## Notice DCP-160

### 5 Reconstitutions Not Initiated Before August 14

#### A Completing Reconstitutions for 2006

Notice CM-546 reminded County Offices that:

- August 1, 2006, is the final date to accept completed FSA-155's for FY 2006 farm combinations and/or farm divisions for a farm:
  - with DCP base acres
  - protecting CAB's under a CRP contract
- effective **August 15, 2006**, the reconstitution software will **not** allow a farm combination or farm division to be initiated on a farm:
  - with DCP base acres
  - protecting CAB's under a CRP contract
- County Offices shall update farm reconstitutions by **August 31, 2006**, to allow sufficient time for producers to return signatures and documentation before the end of the FY 2006 contract period for DCP.

Several inquiries have been received where County Offices did not **initiate farm reconstitutions** by August 15, 2006, and have requested that the software be enabled to complete reconstitutions.

The reconstitution software will **not** be enabled for any remaining 2006 reconstitutions. As a result, any outstanding reconstitutions that were **not** initiated by August 15, 2006, shall be effective for FY 2007. County Offices are reminded that all reconstitutions affecting farms enrolled in DCP **must** be **updated** by August 30, 2006, or producers may not have sufficient time to re-enroll the new farms in DCP before September 30, 2006.

#### B Handling DCP Contracts for FY 2006

In cases where a reconstitution was **not** initiated before August 15, 2006, the farm combination/division **cannot** be completed for 2006. As a result, the 2006 DCP contract **must** continue to be enrolled under the parent farm numbers, if the affected producer wants to participate in 2006 DCP.

COC's shall ensure that the shares reflected on CCC-509 accurately reflect each producer's interest in the DCP base acres before approving the CCC-509.