

**For:** State and County Offices

**FY 2007 National CORP Review for Improper Payments for DCP**

**Approved by:** Deputy Administrator, Farm Programs



**1 Overview**

**A Background**

The Improper Payments Information Act (IPIA) of 2002 requires Federal agencies to evaluate programs to determine whether internal controls are sufficient to prevent issuing improper payments.

These reviews enable FSA to have reliable and statistical data to discern the overall effectiveness of programs and determine whether adequate management controls are in place to conform with IPIA requirements. OMB defines an improper payment as any payment that should not have been issued or was issued in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements. Incorrect amounts include both overpayments and underpayments.

The number of errors found for administrating DCP has significantly decreased in comparison to CORP reviews conducted for payments issued during FY 2005.

**B Purpose**

This notice:

- is issued as part of FSA’s corrective action plan as required under IPIA
- informs State and County Offices of CORP findings related to DCP
- directs follow-up action within each State to ensure that all offices review the listed discovered errors and take any needed corrective action.

<b>Disposal Date</b>	<b>Distribution</b>
March 1, 2008	State Offices; State Offices relay to County Offices

## Notice DCP-182

### 1 Overview (Continued)

#### C Action

SED's shall ensure that:

- applicable State Office division chiefs and specialists review this notice in detail to develop Corrective Action Plans (CAP's), as needed, to ensure that County Offices follow applicable program procedures issued through National notices and program handbooks
- additional internal control procedures are developed to avoid findings indicated by CORP reviews
- applicable State Office program divisions provide additional program training where needed and implement CAP's to reduce improper payments
- DD's hold meetings within their respective districts to review this notice with CED's and program technicians.

### 2 CORP Findings for FY 2007

#### A Division of Payment Shares

The most significant finding in CORP review for DCP involved a finding that the payee interest in base acres on a farm did not support the claimed payment share.

1-DCP, paragraph 354 provides guidelines for the division of payments and also provides that there are multiple factors which may influence the proper division of direct and counter-cyclical payments. In reviewing the DCP contract division of payment and shares, COC's should consider:

- past history on a farm
- whether producers claiming DCP payment shares have control of the DCP cropland to support base acreage
- the level of risk in the production of the crop being grown on base acreage
- whether CCC-509 shares provide equitable treatment to all of the producers on the farm.

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### 2 CORP Findings for FY 2007 (Continued)

#### A Division of Payment Shares (Continued)

In many cases, County Offices may find that the acreage reported on FSA-578 does not match the base acreage attributable to the producer on CCC-509. There is no requirement that the shares on FSA-578 and CCC-509 match exactly and there are legitimate reasons the acreage may not match.

**Example:** The lease agreement may provide that the operator has 100 percent interest in all crops on the farm, however, the DCP combination lease provisions may require that DCP payment shares be attributed to both the operator and the landowner. Therefore, the acreage attributable to each producer on CCC-509 may not match FSA-578 and when the terms of the lease agreement are considered, COC may determine that the shares on CCC-509 are claimed properly.

County Offices shall:

- review the deficiencies identified in this subparagraph
- see 1-DCP, paragraph 354
- take corrective action for any deficiencies found on DCP contracts **before** issuing any additional payments for any contract period.

**Note:** Item 13 was added to CCC-770 DCP to address this issue for contracts enrolled for the 2007 contract period.

#### B Late-File Fee Not Collected

The CORP review found that the late-file fee was not collected for 1 farm in the sample. 1-DCP, paragraph 390 provides that:

- CCC-509's that do not have all the signatures for producers **sharing in base acres** by the established deadline of June 1 will not be considered timely enrolled
- a late-filed signup fee of \$100 per farm will be assessed by CCC for any farm enrolled between June 2 and September 30, of the FY in which the direct and counter-cyclical payments are requested

**Note:** For the 2007 contract period only, the enrollment deadline was extended to August 3, 2007.

- CCC-509 shall not be approved for payment if the farm was not enrolled by the enrollment deadline until the \$100 late-file fee is collected.

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### 2 CORP Findings for FY 2007 (Continued)

#### B Late-File Fee Not Collected (Continued)

The \$100 late-file fee is not applicable to landlords or landowners signing to zero payment shares, however COC's are reminded that CCC-509 shall not be approved until all signature requirements are met.

DAFP has discretionary authority to waive the \$100 late-file fee, however this authority is **not extended** to COC's, CED's, and/or County Office staffs. County Offices shall:

- ensure that the late-file fee has been collected for all farms where signatures for **producers sharing in base acreage** were not obtained by the applicable enrollment deadline **before** approving CCC-509 for payment
- take corrective action by removing the approval date for any CCC-509 if the late-file fee is applicable but has not been collected
- notify all producers on the farm that the late-file fee **must** be collected or all payments on the farm **must** be refunded.

**Note:** Items 7A and 7B were added to CCC-770 DCP to address this issue for contracts enrolled for the 2007 contract period.

#### C Payment Issued to Producer That Refused Payment

The CORP review found that CCC-509 was not on file in the County Office for 1 farm in the sample. Additional information indicated that CCC-509 was actually on file and the DCP payment was issued, but the producer had refused payment.

County Offices shall ensure that the system is updated accurately to reflect all payment options selected by producers, including the choice to refuse payment. Failure to update the system properly can result in payments:

- issued that should not be
- not being issued timely, which then requires issuing late payment interest.

#### D Late Payment Interest Not Paid

The CORP review found 2 situations where late payment interest was not paid to applicable producers. County Offices shall see 61-FI for the provisions applicable for issuing late payment interest.