

For: State and County Offices

Policy for PFC/DCP Transition Overpayments Less Than \$10

Approved by: Acting Deputy Administrator, Farm Programs



1 Overview

A

Background

The Farm Security and Rural Investment Act of 2002 (the Act), Section 1107, specifies that the 2002 DCP direct payments shall be reduced by the amount of the FY 2002 PFC payment issued to the producer. 2-DCP, Amend. 3, provided policy and procedure for processing PFC/DCP transition overpayments that result from enrollment into 2002 DCP.

The PFC/DCP transition overpayment register includes all overpayments that are \$1 or higher. County Offices are inquiring:

- as to whether overpayment amounts less than \$10 must be transferred to CRS
- if the overpayment is transferred to CRS, can the amount be written off through a small balance write-off option in CRS.

B

Purpose

This notice:

- advises State and County Offices why the PFC/DCP transition overpayment software was developed in the manner that it was
- advises State and County Offices of the policy for handling PFC/DCP transition overpayment amounts less than \$10

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| Disposal Date June 1, 2003 | Distribution State Offices; State Offices relay to County Offices |
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1 Overview (Continued)

B

Purpose (Continued)

- provides procedure for processing receivables less than \$10 in which 2002 DCP direct payments have already been processed for the producer and farm
 - reminds State and County Offices of the importance of running the PFC/DCP transition overpayment process **before** 2002 DCP payments are issued.
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2 Handling 2002 PFC/DCP Transition Overpayments and Receivables

A

Introduction

The Act specifies that 2002 DCP direct payments shall be reduced by the amount of the FY 2002 PFC payment that was issued to the producer.

PFC and DCP payments are computed by farm, producer, and crop. Ideally, software would have been designed to reduce the total 2002 DCP direct payment by the total amount of the FY 2002 PFC payment issued to the producer for the farm. However, this software development would have taken months to complete and would have delayed 2002 DCP direct payments.

B

Software Development

To accommodate the immediate need to issue 2002 DCP direct payments, existing software was used to the maximum extent possible. In cases where the FY 2002 PFC payment for the farm, producer, and crop is:

- **less than** the 2002 DCP direct payment for the farm, producer, and crop, the 2002 DCP direct payment software automatically reduces the FY 2002 PFC payment amount from the 2002 DCP direct payment
 - **greater than** the 2002 DCP direct calculated payment for the farm, producer, and crop, a “PFC overpayment” condition exists because the 2002 DCP direct payment software is not designed to reduce an “overpayment” amount for one crop from the calculated payment amount for another crop.
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2 Handling 2002 PFC/DCP Transition Overpayments and Receivables (Continued)

B

Software Development (Continued)

For unearned FY 2002 PFC payment amounts, it was determined that the fastest, most effective method available was to transmit the “PFC overpayment” amount to CRS. As specified in 2-DCP, paragraph 353:

- these amounts shall be transferred to CRS with a 10-315 debt basis code
- these amounts shall be treated as payment reductions **instead** of debts to CCC
- notification letters are not generated when the amount is transferred to CRS.

Note: Unearned FY 2002 PFC overpayment amounts are debts to CCC if the 2002 DCP direct payment was issued before the special PFC overpayment was available to County Offices. These receivables are established with a 10-428 debt basis code.

C

Processing FY 2002 PFC Overpayments

County Offices shall ensure:

- that all legitimate FY 2002 PFC overpayments are **immediately transferred** to CRS
- conditions causing the overpayment to be listed in error are corrected.

Important: County Offices shall process PFC/DCP transition overpayments **before** 2002 DCP direct payments are issued for applicable farm(s). The software will force an “ALL” overpayment process at least every 7 calendar days; however, the overpayment process shall be run more frequently as 2002 DCP direct payments are issued.

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2 Handling 2002 PFC/DCP Transition Overpayments and Receivables (Continued)

D

Policy for PFC/DCP Transition Receivable Amounts Less Than \$10

Several State Offices have inquired as to whether PFC/DCP transition receivables can be terminated through the small balance writeoff option in CRS if the amount is less than \$10. County Offices **are not authorized** to write off small balances for FY 2002 PFC receivables established with a 10-315 debt basis code for the following reasons.

Note: See subparagraph F for provisions for handling debts to CCC that are less than \$10 that resulted before the PFC/DCP transition overpayment software was available.

- The Act specifies that 2002 DCP direct payments shall be reduced by the amount of the 2002 DCP direct payment for the producer. Therefore, FSA is required by statute to reduce the 2002 DCP direct payment regardless of the amount of the unearned FY 2002 PFC payment amount. FSA's statutory requirement to reduce the 2002 DCP direct payment cannot be legally ignored because of software processing procedures, or for any other reason.
- Receivables established with a 10-315 debt basis code are considered payment reductions and not an actual debt to CCC. Therefore the small balance writeoff provisions for debts to CCC are not applicable to these receivables.
- While some County Offices may not have many FY 2002 PFC receivables less than \$10, it is estimated that the amounts less than \$10 could accumulate into the millions of dollars nationwide.

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2 Handling 2002 PFC/DCP Transition Overpayments and Receivables (Continued)

E

Handling Receivables With a 10-315 Debt Basis Code

If the 2002 DCP direct payment has not been issued, amounts not earned under PFC because of enrollment in DCP will be transferred to CRS with a 10-315 debt basis code. Even though some amounts may be less than \$10, County Offices shall:

- ensure the 2002 DCP direct payment is offset to satisfy the total amount of the receivable(s) established for the producer and farm

Note: The system will not automatically offset receivable amounts with a 10-315 debt basis code. A CCC-184 payable to CCC must be generated and deposited similar to any other receivable that is being repaid through an offset.

- **not** write-off receivable amounts less than \$10 with a 10-315 debt basis code
 - **not** transfer receivables with a 10-315 debt basis code to claims.
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F

Receivables With a 10-428 Debt Basis Code

If the 2002 DCP direct payment was issued before release of the PFC/DCP transition overpayment software, the overpayment will be transferred to CRS with a 10-428 debt basis code. These are actual debts to CCC and repayment shall be demanded according to 58-FI and 67-FI.

Amounts less than \$10 can be written off if both of the following apply:

- the total receivable amount(s) for the farm and producer are less than \$10
- the provisions of 58-FI and 67-FI are met.

County Offices shall not delay processing the PFC/DCP transition overpayments in an attempt to avoid offset from the 2002 DCP direct payment. Since the PFC/DCP transition overpayment software is available, 2002 DCP payments **shall not be issued** before the overpayment process is run and unearned FY 2002 PFC amounts are transferred to CRS.

Reminder: Transferring the PFC/DCP transition overpayments to CRS before issuing 2002 DCP direct payments will ensure that:

- unearned PFC overpayment amounts can be offset from the 2002 DCP direct payment
 - no additional debts to CCC will occur.
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2 Handling 2002 PFC/DCP Transition Overpayments and Receivables (Continued)

G

**Monitoring
FY 2002 PFC
Overpayments**

FY 2002 PFC overpayments/receivables will be monitored to ensure:

- County Offices are timely transferring FY 2002 unearned PFC payment amounts to CRS

 - receivables established with a 10-315 debt basis code are:
 - satisfied
 - not written off.
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