

For: State and County Offices

**Reminder for Processing 2002 PFC/DCP Transition Overpayments**

Approved by: Deputy Administrator, Farm Programs



**1 Overview**

**A Background**

It is a statutory requirement that 2002 DCP final direct payments must be reduced by the amount of all FY 2002 PFC payments issued. Software to compute unearned FY 2002 PFC amounts was included in County Release No. 500 received in County Offices on or before December 13, 2002.

2-DCP, Amend. 3:

- included policy and procedure for processing 2002 PFC/DCP transition overpayments
- provided information about computing overpayment amounts and whether the overpayment is a debt to CCC or should be considered a payment reduction from the final 2002 DCP direct payment
- instructed County Offices to process 2002 PFC/DCP overpayments before issuing final 2002 DCP direct payments.

**B Purpose**

This notice:

- reminds County Offices that:
  - 2002 PFC/DCP transition overpayments shall be computed before processing 2002 DCP final direct payment
  - overpayment amounts listed on the 2002 PFC/DCP transition overpayment register shall be **immediately** transferred to the Common Receivable System (CRS) if the amount is correct
  - the condition causing a producer to be listed on the overpayment register shall be immediately corrected if the amount is not correct
- obsoletes Notice PF-198.

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| <b>Disposal Date</b> | <b>Distribution</b>                                  |
| June 1, 2003         | State Offices; State Offices relay to County Offices |

## Notice PF-199

### 2 Processing 2002 PFC/DCP Transition Overpayments

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#### A Processing Requirements

The 2002 PFC/DCP transition overpayment process was developed to identify unearned FY 2002 PFC amounts based on the base option election that has been made by the owner of the farm for 2002 DCP. Once the base option has been elected, the system can determine the amount of the unearned PFC if the farm is enrolled in 2002 DCP.

**Reminder:** All owners on the farm are required to sign CCC-515 before any producer can enroll into 2002 or 2003 DCP.

It is imperative that County Offices completely process all 2002 PFC/DCP transition overpayments **before** issuing 2002 DCP final direct payments. Failure to do so may result in producers being overpaid on 2002 DCP.

**Note:** 2002 DCP final direct payments cannot be issued if the 2002 PFC/DCP transition overpayments have not been computed for “all” farms in the last 7 calendar days. However, if 2002 DCP direct payments are issued more frequently, the overpayment process should be run and overpayments transferred to CRS, at least for the farms being paid, before the payments are issued.

Complete processing of overpayments includes **all** of the following.

- computing overpayment amounts
  - verifying overpayment amounts for each farm, producer, and crop
  - **immediately** transferring valid overpayment amounts to CRS
  - correcting conditions causing the overpayment to be computed incorrectly and recomputing overpayments on the applicable farm.
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#### B Processing FY 2002 PFC Regular Overpayments

The 2002 PFC/DCP transition overpayment process does not replace the regular overpayment process for FY 2002 PFC. County Offices shall ensure that:

- the regular overpayment process is run and legitimate overpayments are transferred to CRS timely
  - conditions causing a producer to be listed on the overpayment register in error are immediately corrected.
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## Notice PF-199

### 2 Processing 2002 PFC/DCP Transition Overpayments (Continued)

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#### **C Handling Overpayments Not Transferred to CRS Timely**

A validation was incorporated into the 2002 DCP final direct payment software to ensure that County Offices process “all” PFC/DCP transition overpayments at least every 7 calendar days. This validation was incorporated to ensure that the overpayments are computed before 2002 DCP final direct payments are issued. However, a validation could not be incorporated to ensure that the actual overpayment amounts are transferred to CRS before the 2002 DCP final direct payments are issued.

Several reports have been received that County Offices:

- ran the 2002 PFC/DCP transition overpayment process
- did not transfer overpayment amounts to CRS
- issued 2002 DCP final direct payments.

In these cases, the producers that were listed on the 2002 PFC/DCP transition overpayment register are overpaid. The 2002 DCP final direct payment that was issued should have been offset to satisfy the statutory requirement that 2002 DCP final direct payments be reduced by any FY 2002 PFC payment issued.

County Offices shall immediately:

- compute the PFC/DCP transition overpayments
- transfer all valid overpayment amounts to CRS

**Reminder:** If a 2002 DCP final direct payment has been issued to any producer on the farm, the debt basis code will be defaulted to 10-428 and an initial notification letter will be generated by the system.

- initiate the debt collection process by notifying the producer of the debt according to 58-FI and 67-FI

**Note:** Amounts less than \$10 shall not be written off through the small balance write-off option. This option is only applicable for those receivables that resulted prior to the overpayment software being available to County Offices.

- ensure that all producers are timely notified of the debt to ensure legitimate debts to CCC are not withdrawn because of the finality rule.

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## Notice PF-199

### 2 Processing 2002 PFC/DCP Transition Overpayments (Continued)

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#### D

#### Tools Available for Identifying Receivables by Farm

Some complaints have been received about the amount of time required to offset the 2002 DCP final direct payment by the amount of the receivables established through the 2002 PFC/DCP transition process. County Offices are reminded that:

- any receivable established with a debt basis code **other than 10-315** is a debt to CCC and can be offset from any program payment that allows administrative offset
- receivables with a 10-315 debt basis code can only be offset from the 2002 DCP final direct payment for the applicable producer and farm.

To assist with the offset process, it is recommended that County Offices use the “Outstanding Receivable Reports” available in the accounting software. These reports do not indicate the debt basis code for the receivable, but they:

- list every producer with a receivable with an outstanding balance
- include the farm number on which the overpayment occurred in the “Reference Number” field.

Separate reports are available for individual producers and joint operations. See 67-FI, paragraphs 539 and 540, for additional information about these reports.

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## Notice PF-199

### 3 Other PFC/DCP Transition Overpayment Issues

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#### **A** **Amounts Less** **Than \$10**

Notice PF-197 advised State and County Offices that receivables established with a 10-315 debt basis code are considered 2002 DCP final direct payment reductions and not debts to CCC. As a result, the small balance write-off option is not applicable to receivable amounts less than \$10.

If County Offices wrote off receivables with a 10-315 debt basis code before receiving Notice PF-197, County Offices shall:

- delete the small balance write-off according to 67-FI, paragraph 499
- initiate the debt collection process by sending an initial notification letter to the producer advising him/her of the debt if the 2002 DCP final direct payment has been issued on the farm.

**Note:** See 67-FI, Exhibit 15 for an example of the initial notification letter.

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#### **B** **Outstanding** **Balances on** **Receivables With** **10-315 Debt** **Basis Codes**

In some cases, the amount of the 2002 DCP final direct payment on the farm is not sufficient to satisfy the amount of the unearned FY 2002 PFC payment.

**Note:** Receivables established with a 10-315 debt basis code shall not be transferred to claims under any circumstance.

A future directive will advise State and County Offices of the action required for:

- modifying receivables with a 10-315 debt basis code that are not fully satisfied by the 2002 DCP payment for the producer and farm
  - generating initial notification letters to notify producers of the outstanding debt.
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