

For: State Offices and Service Centers

Cleanup for 2002 PFC/DCP Transition Overpayments

Approved by: Deputy Administrator, Farm Programs



1 Overview

A Background

The Farm Security and Rural Investment Act of 2002 (the Act), Section 1107, specifies that 2002 DCP direct payments shall be reduced by the amount of the FY 2002 PFC payment already issued to the producer.

2-DCP, Part 12 provides policy and procedure for processing 2002 PFC/DCP transition overpayments that result from enrollment into 2002 DCP.

B Purpose

This notice:

- advises State and County Offices that all outstanding:
 - 2002 PFC/DCP transition overpayments must be rectified by August 20, 2004, without exception
 - receivables with a "10-315" debt basis code must be cleaned up either by issuing the 2002 DCP direct payment or canceling the overpayment by August 20, 2004
- reminds State and County Offices of the provisions about the transition from PFC to DCP and the action required to reduce the 2002 DCP direct payment by the amount of the 2002 PFC payment that was issued
- provides guidance on handling situations where producers are erroneously listed on the 2002 PFC/DCP Transition Overpayment Register because of changes in the producer's entity type that typically occurred through the SCIMS duplicate resolution process.

Disposal Date	Distribution
January 1, 2005	State Offices; State Offices relay to Service Centers

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1 Overview (Continued)

C Previous Directives

The Act specifies that 2002 DCP direct payments shall be reduced by the amount of the FY 2002 PFC payment already issued to the producer. As a result of this requirement, the following directives have been issued to provide guidance to State and County Offices with issues about the transition process.

Directive	Purpose	Issue Date
Notice DCP-54	Provides policy and procedure for the transition from AMTA to DCP for succession-in-interest situations.	November 8, 2002
2-DCP, Part 12	Provides policy and procedure for processing 2002 PFC/DCP transition overpayments that result from enrollment into 2002 DCP.	December 9, 2002
Notice PF-197	Policy for PFC/DCP transition overpayments less than \$10	January 3, 2003
Notice PF-199	Reminder for processing 2002 PFC/DCP transition overpayments	January 23, 2003
Notice PF-200	Handling FY 2002 PFC/DCP transition receivables that are not fully satisfied by the 2002 DCP direct payment	February 27, 2003
Notice PF-202	Cleanup for 2002 PFC/DCP Transition Overpayments	September 8, 2003

In addition to these directives, memorandums have also been sent to SED's that identified specific information about 2002 PFC/DCP transition overpayments that remain on the transition overpayment register. These memorandums and lists were FAXed to State Offices on the following dates.

- September 9, 2003
- December 3, 2003
- December 10, 2003
- December 17, 2003
- January 7, 2004
- January 30, 2004.

Even with these efforts, there are still a number of 2002 PFC/DCP overpayments and receivables that continue to remain outstanding:

- on the 2002 PFC/DCP Transition Overpayment Register
- in the Common Receivable System (CRS).

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2 Reason for Need to Cleanup System Files

A 2002 PFC and DCP Direct Payments

Software for the 2002 PFC payment process was disabled on September 30, 2002. From that point forward, all remaining 2002 payments should have been issued through the 2002 DCP direct payment process. County Offices began issuing 2002 DCP direct payments in October 2002.

To date, the National Office is not aware of any outstanding 2002 payments earned under PFC that cannot be issued through the 2002 DCP direct payment process. However, a review of the 2002 PFC/DCP Transition Overpayment Register indicates that all 2002 DCP direct payments have not been issued. This determination is based on the fact that there are still overpayments listed with a "10-315" debt basis code on the 2002 PFC/DCP Transition Overpayment Register. An overpayment will not be listed on this overpayment register unless both of the following apply:

- farm is enrolled in 2002 DCP and CCC-509 has been approved for payment
- 2002 DCP payment has not been issued to any producer associated with the 2002 DCP contract.

All 2002 DCP payments should have been issued, with the possible exception of cases involving bankruptcy and appeals.

B Handling Amounts Listed on the 2002 PFC/DCP Transition Overpayment Register

The 2002 PFC/DCP transition overpayment process does not check producer eligibility or payment limitation. The sole purpose of the 2002 PFC/DCP transition overpayment process is to determine whether the amount earned under 2002 DCP direct is greater than or equal to the 2002 PFC amount already paid to the producer. This computation is crop specific. If the 2002 PFC payment issued is:

- greater than the 2002 DCP direct payment earned for the crop, the difference is listed on the transition overpayment register
- less than the 2002 DCP direct payment earned for the crop, an amount will not be listed on the transition overpayment register.

If an amount is listed on the 2002 PFC/DCP Transition Overpayment Register, County Offices shall:

- correct conditions causing overpayments to be listed in error
- transfer legitimate overpayment amounts to CRS
- take the appropriate action and **not** notate the overpayment register.

See paragraph 3 for additional information on outstanding transition overpayments.

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2 Reason for Need to Cleanup System Files (Continued)

C Receivables in CRS with “10-315” Debt Basis Codes

2002 PFC overpayments are listed with a “10-315” debt basis code **only** if the 2002 DCP direct payment had not been issued on the farm at the time the overpayment was computed. These amounts:

- shall be transferred to CRS so the amount can be reduced from the 2002 DCP direct payment when it is issued
- are not considered actual debts to CCC until the 2002 DCP direct payment is issued for the farm and the DCP direct payment was not used to satisfy the overpayment amount.

Even though receivables in CRS with a “10-315” debt basis code are not considered debts to CCC, they cannot remain in CRS indefinitely. CRS is audited and monitored to ensure debt collection procedures are fully enforced. As a result, County Offices are required to take the appropriate action on receivables in a timely manner.

Receivables should only remain in CRS if the 2002 DCP direct payment has not been issued on the farm. However, all 2002 DCP direct payments should have been issued unless the case involves an appeal or bankruptcy. If the 2002 DCP direct payment has been issued on the farm, then:

- receivable is most likely a legitimate debt to CCC
- debt basis code should be changed from “10-315” to “10-428”
- debt collection procedures should be initiated.

See paragraph 4 for additional information on outstanding receivables in CRS.

D Receivables in CRS with “10-428” Debt Basis Codes

2002 PFC overpayments are listed with a “10-428” debt basis code **only** if the 2002 DCP direct payment has been issued on the farm. These amounts are most likely legitimate debts to CCC and debt collection provisions apply.

County Offices are required to follow existing debt collection provisions to ensure that amounts are collected in a timely manner.

See paragraph 4 for additional information on outstanding receivables in CRS.

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3 Outstanding 2002 PFC/DCP Transition Overpayments

A Introduction

This paragraph applies to amounts listed on the 2002 PFC/DCP Transition Overpayment Register that **have not been transferred to CRS**.

B National Office Review

The National Office has been monitoring the overpayment process to ensure 2002 PFC/DCP transition overpayments are transferred to CRS. Based on data uploaded to KC-ITSDO as of July 20, 2004, 1,810 overpayments have not been transferred to CRS. Of those:

- 111 are PFC overpayments in which the 2002 DCP direct payment has not been issued resulting in an overpayment with a debt basis code of “10-315”
- 1,699 are PFC overpayments in which the 2002 DCP direct payment has been issued resulting in an overpayment with a “10-428” debt basis code.

As specified in paragraph 2, all overpayment amounts must either be transferred to CRS or corrected.

Note: Previous reviews have determined that some producers are listed on the transition overpayment register as a result of entity type, or business type, changes that resulted through the SCIMS duplicate resolution process. In some cases, overpayments listed because of an entity type change are not legitimate debts to CCC and shall not be transferred to CRS. However, County Offices are required to take corrective action to resolve the overpayment condition. See subparagraph 5 for additional information.

C County Office Action

County Offices shall:

- ensure outstanding overpayments are cleaned up by **August 20, 2004**, by taking the following action:
 - compute overpayment amounts according to 2-DCP, Part 12
 - verify overpayment amounts for each farm, producer, and crop
 - **immediately** transfer legitimate overpayment amounts to CRS
 - correct conditions causing the producer to be listed on the overpayment register in error
- **not** transfer amounts to CRS unless the amount is a legitimate debt to CCC
- contact their State Office for assistance in any questionable situations.

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3 Outstanding 2002 PFC/DCP Transition Overpayments (Continued)

D State Office Action

State Offices shall:

- ensure that County Offices are immediately advised of the requirements in this notice

Note: A memorandum will be FAXed to each applicable State Office that lists all outstanding overpayment amounts.

- ensure that affected County Offices take the required action to cleanup the outstanding 2002 PFC/DCP transition overpayments by August 20, 2004
- contact PECD, Common Provisions Branch (CPB) if guidance is needed for unique cases
- **not** submit documentation to the National Office according to Notice PL-125 to correct business type information in SCIMS
- submit a report to PECD, CPB by August 27, 2004, listing all overpayments that will not be transferred to CRS along with an explanation of the circumstances of the case or the corrective action taken.

E National Office Action

The National Office will:

- continue to monitor the data that is uploaded to KC-ITSDO to ensure that all 2002 PFC/DCP transition overpayments are cleaned up by August 20, 2004
- provide a list of outstanding receivables to each respective State Office on a weekly basis beginning August 2, 2004.

Note: A separate memorandum will be sent to each SED with an attachment about the outstanding receivables.

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4 Handling Payment Reductions and Administrative Offsets

A Introduction

2002 PFC/DCP transition overpayments are transferred to CRS with either of the following debt basis codes.

IF the 2002 DCP direct payment has...	THEN the debt basis code is...	Explanation
not been issued to any producer on the farm	"10-315".	Once transferred to CRS, these receivables are considered payment reductions that shall be reduced from the producer's 2002 DCP direct payment on the applicable farm.
been issued to any producer on the applicable farm	"10-428".	These receivables are debts to CCC and subject to normal administrative offset provisions.

B National Office Review

Notices PF-199 and PF-202 provided additional guidance for handling receivables established with a "10-315" debt basis code. To ensure receivables are handled properly, a report has been developed that lists receivables transferred to CRS with a "10-315" debt basis code that:

- have an outstanding balance
- are less than \$10 and have been written off
- have been transferred to claims.

As of July 16, 2004, the following has been found.

- There are 600 outstanding receivables totaling \$275,469 that were established with a "10-315" debt basis code.
- 6,041 receivables established with a "10-315" debt basis code have been written off through the small balance write-off option in CRS.
- 1,598 receivables with a "10-315" debt basis code totaling \$418,815 have been transferred to claims.

The National Office will provide a list of outstanding "10-315" receivables to each respective State Office on a weekly basis beginning August 2, 2004. A separate memorandum will be sent to each SED with an attachment about the outstanding receivables.

Notice PF-204

4 Handling Payment Reductions and Administrative Offsets (Continued)

C Handling Overpayments with “10-315” Debt Basis Code Where 2002 DCP Direct Payment Has Not Been Issued

2002 PFC/DCP transition overpayments are only listed on the overpayment register if CCC-509 is approved for payment. County Offices are reminded that 2002 DCP direct payments shall be:

- immediately issued to all producers on approved contracts
- reduced by the amount of the receivable(s) established with a “10-315” debt basis code for the applicable farm.

County Offices shall immediately review all receivables in CRS with a “10-315” debt basis code to determine whether the 2002 DCP direct payment has been issued to the producer.

IF the 2002 DCP direct payment...	THEN...
has been issued on the farm	<ul style="list-style-type: none">• the debt basis code for the receivable shall be changed to “10-428”• debt collection procedures shall be initiated.
has not been issued on the farm	County Offices shall issue the 2002 DCP payment to the producer and reduce the payment amount by the amount of the receivable(s).
cannot be issued because of a pending appeal or bankruptcy	County Offices shall cancel the overpayment according to 2-DCP, Part 12. This will cancel the receivable and the amount will once again be listed on the 2002 PFC/DCP Transition Overpayment Register. State Offices shall follow the provisions in subparagraph 3 D.

Notice PF-204

4 Handling Payment Reductions and Administrative Offsets (Continued)

D Handling Receivables with “10-315” Debt Basis Code Where 2002 DCP Direct Payment Has Been Issued

For those cases where receivables with a “10-315” debt basis code are not fully satisfied after the 2002 DCP direct payment has been issued on the specific farm, County Offices shall take the following action.

Warning: Once this action is taken, the debt basis code **cannot** be changed back to “10-315” if an error is made. County Offices shall take extra caution **before** changing any debt basis codes to ensure:

- the receivable should be considered a debt to CCC
- division of payment rules have been met according to 1-DCP.

Step	Menu or Screen	Action
1	FAX250	ENTER “3” or “4”, “Application Processing”, as applicable.
2	FAX09002	Select the appropriate county on the Office Selection Menu, if applicable.
3	FAX07001	ENTER “1”, “Accounting”.
4	AAA000	ENTER “8”, “Common Receivable Function”.
5	AQK000	ENTER “8”, “Correct A Receivable”.
6	AQK700	ENTER “1”, “Correct A Receivable Establishment”.
7	AQK01101	Enter the producer’s ID number and ID type or last name.
8	AQK01104	Verify the correct producer has been selected, and PRESS “Enter”.
9	AQK71201	Place an “X” next to the applicable receivable, and PRESS “Enter”.
		Note: The debt basis code is not displayed on this screen.
10	AQK71401	Change the: <ul style="list-style-type: none"> • “Basis Of Debt Code” from “10-315” to “10-428” • “Initial Notification Date” to the date the manual notification letter is mailed.
11		Initiate the debt collection procedures by sending a manual initial notification letter according to 67-FI, Exhibit 15 to the producer advising him or her of the outstanding debt. Note: Once the producer has been properly notified of the debt, follow normal administrative offset provisions according to 58-FI and 67-FI.

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4 Handling Payment Reductions and Administrative Offsets (Continued)

E Transferring Receivables with “10-315” Debt Basis Codes to Claims

Notice PF-200 advised County Offices that any receivable with a “10-315” debt basis code **shall not** be transferred to claims. These receivables are considered payment reductions and are not debts to CCC.

If the “10-315” receivable is not fully satisfied, the receivable shall be transferred to claims only **after** both of the following apply:

- the debt basis code is changed to “10-428”
- the provisions of 67-FI have been met.

For the 1,598 receivables that have already been transferred to claims, the claim cannot be reversed. For these cases, County Offices shall determine whether the 2002 DCP direct payment has already been issued to the producer on the farm.

IF the 2002 DCP direct payment has...	THEN...
been issued on the farm	the producer is overpaid and a legitimate debt to CCC exists. County Offices shall initiate the debt collection process by sending a manual initial notification letter according to 67-FI, Exhibit 15 to the producer advising him or her of the outstanding debt. Note: Once the producer has been properly notified of the debt, follow normal administrative offset provisions according to 58-FI and 67-FI.
not been issued on the farm	the 2002 DCP direct payment on the farm shall be applied against the claim in the normal manner.

5 Handling Entity Type Changes Resulting From the SCIMS Duplicate Resolution Process

A Introduction

Problems have been encountered with entity type changes because multi-county producers were recorded by County Offices in the name and address file with different entity types. In some cases, the incorrect entity type data was merged through the SCIMS duplicate resolution process, which has now resulted in the producer being listed on the 2002 PFC/DCP Transition Overpayment Register because the producer data does not match the payment data. These conditions can only be corrected by modifying the SCIMS data for 2002 and any other year that is incorrect.

Notice PF-204

5 Handling Entity Type Changes Resulting From the SCIMS Duplicate Resolution Process (Continued)

B Documentation Required to Determine Correct Entity/Business Type

Previous directives advised State and County Offices to submit documentation to the National Office for correction of the producer's business type in SCIMS. Notice PL-126 advises State Offices that software is being developed to provide authorized State Office personnel with the capability to update incorrect business type data in SCIMS.

Until that software is deployed, State and County Offices shall take the following action to determine if the overpayment listed on the 2002 PFC/DCP Transition Overpayment Register is the result of a change to the producer's entity type.

- Review MABDIG for **all** counties for the applicable year to determine how the entity types are recorded in the name and address file and permitted entity file.
- Review CCC-502 from the producer's control county for the applicable year to determine the joint operation or entity type.
- Review PPH to determine what entity type was recorded in the system when the producer was paid.
- Review the accounting summary print to determine the affected programs.

C County Office Action

If it is determined that the overpayment resulted from an entity type change, and the current business type in SCIMS is incorrect, then County Offices shall prepare the documentation listed in subparagraph B and submit it to the State Office immediately.

D State Office Action

State Offices shall:

- review the documentation submitted to ensure that an entity type change occurred
- hold the documentation until the software is available to correct the business type in SCIMS

Note: A forthcoming notice will provide guidance to authorized State Office personnel for correcting these conditions.

- contact the National Office for assistance with questionable cases
- **not** submit documentation to the National Office, unless requested.