



Natural Resources Conservation Service
6013 Lakeside Blvd.
Indianapolis, IN 46278

December 18, 2007

INDIANA BULLETIN NO. IN 440-7-2

SUBJECT: PGM - Potential Improper Payments for ProTracts Programs and Farm Service Agency (FSA) Notices Public Law 146 and Public Law 147

Purpose: To notify offices of the impacts of FSA Notices Public Law 146 and Public Law 147, and describe actions to be taken by the Natural Resources Conservation Service (NRCS).

Expiration Date: September 30, 2007

Background: The Improper Payments Information Act of 2002 requires each agency head to:

- Identify programs and activities susceptible to significant improper payments.
- Estimate the annual amount of improper payments and report that estimate to Congress.
- Report the actions taken to reduce improper payments, and a description of the steps in place to ensure adequate accountability for reducing improper payments.

FSA Notice Public Law 146, Determining Potential Improper Payments (Attachment A), and FSA Notice Public Law 147, Resetting Eligibility Determinations/Certifications (Attachment B), establish actions that FSA is taking to minimize or eliminate potential improper payments. Local FSA offices will verify producer certification data and update the files that are utilized by NRCS to confirm program applicant eligibility. Prior to FY 2007, eligibility flag settings for Form AD-1026 (Highly Erodible Land Conservation (HELIC) and Wetland Conservation Certification (WC)) and Adjusted Gross Income Certifications were defaulted to the prior-year status. FSA reset the 2007 flags to "Not Filed" on November 2, 2006, they will stay "Not Filed" until the producer certification data can be re-verified. This change to "Not Filed" has a significant impact to NRCS because the following actions in ProTracts/Fund Manager will be affected:

- Changing an application status to "approved";
- Electronically signing a contract by the NRCS Approving Official;
- Modifying a contract to increase the obligation;
- Adding a new participant to an approved contract; and
- Making a payment to any contract participant.

DIST: 0

To accommodate this change ProTracts temporarily altered the eligibility check on prior-year contracts. Without this temporary change, NRCS would see a significant increase in contract modification and payment rejections until such time as the data are updated by FSA.

Immediate Actions

Actions to be taken by NRCS to resolve the potential eligibility rejection issues are summarized below.

EQIP & WHIP Contracts Obligated before FY 2007

ProTracts will use the FY 2006 eligibility data for eligibility verification on prior-year contract payments. After FSA completes its updates of all producer records, ProTracts and Fund Manager will be updated to once again utilize the current FY 2007 data. Payments should process normally unless a participant fails eligibility based on the 2006 FSA record.

EQIP & WHIP Contracts to be Obligated During FY 2007

All contract obligations with 2007 program applicants will be affected by the update actions planned by FSA. As soon as practical, the names of applicants need to be provided to the FSA county office for "priority processing." After FSA resets its Form AD-1026 and Adjusted Gross Income Certifications to "Not Filed," ProTracts will not allow the applicant status to be changed to "approved." Field employees will be unable to proceed with other contract approval actions until the 2007 eligibility records are updated in the FSA subsidiary files.

2007 Payments on Prior-year CSP Contracts

Specific actions are being taken to enable the processing of Conservation Security Program (CSP) modifications based on the timeline provided in National Bulletin 300-7-2, dated October 23, 2006. CSP contracts will follow the same process as Environmental Quality Incentives Program (EQIP) and Wildlife Habitat Incentives Program (WHIP) contracts obligated before FY 2007 where FY 2006 eligibility data will be used during the interim. The 2007 annual payments should process normally unless a participant fails eligibility based on the 2006 FSA record.

Questions concerning this bulletin may be directed to Jim Dunaway, Programs, 317-290-3200 ext. 334.

/s/

JANE E. HARDISTY
State Conservationist

Attachment A – FSA Notice Public Law 146, Determining Potential Improper Payments
Attachment B – FSA Notice Public Law 147, Resetting Eligibility Determinations/Certifications