



Highlights of GAO-03-202T, testimony before the Subcommittee on Government Efficiency, Financial Management and Intergovernmental Relations, Committee on Government Reform, House of Representatives

Why GAO Did This Study

In December 2001, GAO testified at a hearing before the Subcommittee that the Department of Agriculture, primarily the Rural Housing Service (RHS) and the Farm Service Agency (FSA), faced challenges in implementing key provisions of the Debt Collection Improvement Act of 1996 (DCIA). The testimony focused on RHS's and FSA's progress in referring delinquent debt for administrative offset and cross-servicing and Agriculture's implementation of administrative wage garnishment (AWG).

During the hearing, Agriculture pledged to place a higher priority on delinquent debt collection and to substantially improve the department's implementation of DCIA by December 31, 2002. After the hearing, GAO made recommendations to Agriculture to help the department address the implementation problems GAO had identified.

It is with this backdrop that the Subcommittee requested GAO to review and provide an update on actions Agriculture has taken to resolve these problems. In addition, the Subcommittee requested GAO to report on the status of Treasury's implementation of a debt collection improvement account, a vehicle authorized by DCIA to give agencies financial incentives to improve their debt collection efforts.

www.gao.gov/cgi-bin/getrpt?GAO-03-202T.

To view the full report, including the scope and methodology, click on the link above. For more information, contact Gary T. Engel at (202) 512-3406 or engelg@gao.gov.

DEBT COLLECTION

Agriculture Making Progress in Addressing Key Challenges

What GAO Found

Recent actions taken by Agriculture demonstrate increased commitment to DCIA implementation. However, it will take sustained commitment and priority by top management to fully address the problems we identified. GAO's findings include the following:

- RHS has worked to address systems limitations that hampered it from promptly referring debts to Treasury for cross-servicing and is now, according to Treasury, referring all reported eligible debt. The agency will begin reporting certain loans' entire unpaid principal balances on accelerated debt as delinquent, beginning with its report for the fourth quarter of fiscal year 2002. RHS is working on making regulatory changes needed for it to refer losses on guaranteed loans to Treasury's offset program, but the changes are not expected to be completed until about August 2003.
- FSA has developed an action plan to improve its process and controls for identifying and referring eligible debts to Treasury. GAO's review of documents related to the plan indicates that FSA has made progress toward implementing the improvements. In addition, by December 2002, the agency expects to be able to begin reporting information for some codebtors when referring delinquent debts for collection action; to begin referring debts quarterly, rather than annually; and to be able to refer eligible losses on guaranteed loans.
- Agriculture has taken steps toward departmentwide implementation of AWG. Agriculture has completed its AWG implementation plan but still needs to carry out certain elements of the plan, including obtaining from its component agencies specific information on the types of debt subject to AWG and finalizing an agreement with the Department of Veterans Affairs to conduct AWG hearings on Agriculture's behalf. Agriculture has also drafted regulations necessary for implementing AWG, which may not be published until May 2003.

Treasury has established a debt collection improvement account but, to date, it has not been activated because no amounts have been made available in Treasury's appropriations to fund the account. Agencies would be allowed to contribute a portion of their debt collections into the account, and amounts could be used to reimburse agencies for certain expenses related to credit management and debt collection and recovery. Because the account has not been activated, it is difficult to assess how effective it might be in improving federal debt collection beyond the debt collection improvements that have resulted directly from DCIA's major debt collection requirements for federal agencies.