

PCIE / ECIE REVIEW OF NON-TAX DELINQUENT DEBT



President's Council on
Integrity and Efficiency



Executive Council on
Integrity and Efficiency



Department of the Treasury
Office of Inspector General
OIG-00-013 December 17, 1999





OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

December 17, 1999

MEMORANDUM FOR GREGORY H. FRIEDMAN, CHAIR
PCIE AUDIT COMMITTEE

FROM: Dennis S. Schindel *Dennis S. Schindel*
Assistant Inspector General for Audit

SUBJECT: PCIE/ECIE Review of Non-Tax Delinquent Debt

The attached audit report, titled *PCIE/ECIE Review of Non-Tax Delinquent Debt*, presents the results of the President's Council on Integrity and Efficiency (PCIE) and Executive Council on Integrity and Efficiency (ECIE) Government-wide review of non-tax delinquent debt. The Department of the Treasury Office of Inspector General (OIG) led this audit, which included participation of a total of sixteen OIGs. We are reporting our findings to strengthen the Federal program agencies' compliance with the Debt Collection Improvement Act (DCIA) of 1996.

The audit disclosed that, generally, Federal agencies have worked diligently towards meeting the objectives of the DCIA. However, the audit identified several areas where improvements are necessary. Specifically, more needs to be done to ensure that Federal agencies are referring delinquent debt to the Department of the Treasury's Financial Management Service for collection activities and are adequately managing their portfolios to ensure that loss to the Federal Government is minimized.

Our findings are summarized in the Overview section and explained in detail in the Audit Results section of this report. We have included the individual reports of the participating OIGs in Appendix J.

If you wish to discuss this report, you may contact me at (202) 927-5400, or a member of your staff may contact Alexander Best, Jr., Audit Manager, Program Audits, at (202) 283-1079.

Attachment

TABLE OF CONTENTS

OVERVIEW	1
BACKGROUND	1
OBJECTIVES, SCOPE, AND METHODOLOGY	2
AUDIT RESULTS	3
Finding 1 Progress Has Been Made Toward Implementing the Legislatively Mandated Provisions of DCIA, However, More Needs To Be Done	3
Finding 2 Federal Agencies Should Refer Eligible Delinquent Debt to FMS For Collection Activities and Ensure That Referrals Are Timely	5
Finding 3 Agency Portfolio Management Practices Should Be Improved	8
Accounts Receivable Balances Should Be Verified and Reviewed For Existence, Accuracy, and Completeness	9
Delinquent Debt Should Be Properly Classified	13
Delinquent Debt Should Be Timely Processed	15
Agencies Should Assess Interest, Penalties, and Administrative Costs on Outstanding Debt	18
Procedures to Implement DCIA Provisions Should Be Established	21
Finding 4 FMS’s Procedures to Implement DCIA Cross-Servicing Provisions Are Generally Effective	22
APPENDICES	
Appendix A PCIE/ECIE Non-Tax Delinquent Debt Project Participants	25

TABLE OF CONTENTS

Appendix B	Summary of PCIE/ECIE DCIA Results	26
Appendix C	Government-wide Portfolio Non-Tax Delinquencies Over 180 Days (FY 1998)	27
Appendix D	Federal Non-Tax Delinquent Debt Referrals and Collections (FY 1998)	28
Appendix E	Federal Non-Tax Delinquent Debt Referrals and Collections (FY 1997)	29
Appendix F	Federal Non-Tax Delinquent Debt Eligible to Be Referred to FMS (24 CFO Agencies FY 1998)	30
Appendix G	Abbreviations	31
Appendix H	Major Contributors to This Report	32
Appendix I	Report Distribution	33
Appendix J	Participating OIG Reports	34

Overview

To assist in the oversight of the debt collection process, the Department of Treasury (Treasury) Office of Inspector General (OIG) led a President's Council on Integrity and Efficiency (PCIE) and Executive Council on Integrity and Efficiency (ECIE) Government-wide review of non-tax delinquent debt. Sixteen Offices of Inspector General, including the Treasury OIG, participated in this review. All participants except the Federal Communications Commission issued individual reports on their respective agencies. (See Appendix A for a list of the participants and Appendix J for a copy of each participant's report.)

The non-tax delinquent debt represented by the agencies of the respective participants was approximately \$29.7 billion of the estimated \$46.4 billion of non-tax debt over 180 days delinquent. In addition, the Treasury OIG conducted a review of Treasury's Financial Management Service's (FMS) cross-servicing activities and FMS's oversight of the private collection agencies used to collect delinquent debt. (See footnote on page 22 for reference.)

Generally, Federal agencies have worked diligently towards meeting the objectives of the Debt Collection Improvement Act (DCIA), which are to (1) maximize collections of delinquent debts owed to the Federal Government and (2) reduce losses arising from inadequate debt management activities. We found that progress has been made in collecting Federal non-tax delinquent debt. Since enactment of the DCIA, cumulative collections of Federal non-tax delinquent debt through administrative offset and cross-servicing have risen from approximately \$1.5 million at the end of Fiscal Year (FY) 1997 to about \$15.4 million as of the end of FY 1998. Also, collections of Federal non-tax delinquent debt through Tax Refund Offset (TRO) have increased from approximately \$0.7 billion to \$0.9 billion between calendar years 1997 and 1998.

However, this audit identified several areas where improvements are needed. Specifically, more needs to be done to ensure that Federal agencies are referring delinquent debt to FMS for collection activities and are adequately managing their respective portfolios to ensure that loss to the Federal Government is minimized.

Background

Significant Congressional concern regarding the estimated \$51.3 billion in non-tax delinquent debt owed to the Federal Government at that time prompted the Congress to enact the DCIA effective April 26, 1996. The DCIA requires individual program

agencies to aggressively pursue the collection of debt once it becomes delinquent past 30 days. In this regard, the program agency may employ

collection tools, such as demand letters, negotiated repayment agreements, wage garnishment, and debt sales, to collect non-tax delinquent debt. Also, the DCIA requires the program agencies to reduce losses arising from debt management activities by requiring proper screening of potential borrowers, aggressive monitoring of accounts, and sharing of information among Federal agencies. Along with this, the DCIA specifically mandates that Federal agencies, with certain exceptions, transfer non-tax debt over 180 days delinquent to FMS for collection. FMS uses both centralized administrative offset and Government-wide cross-servicing to facilitate collection of the non-tax delinquent debt.

The agency programs reviewed by the participating OIGs and reported on herein represent a wide spectrum of accounts receivable. These delinquent receivables include student loans, medical care, housing credit assistance, small business loans, benefit payments, leases, fines, fees, penalties, compensation, pensions, and various administrative debts.

Objectives, Scope, and Methodology

The objectives of the audit were to (1) determine whether the reported \$60 billion in non-tax delinquent debt accurately represents the universe of non-tax delinquent debt and (2) assess the collectibility of the delinquent debt. Also, the audit evaluated the program agencies' portfolio management activities to ensure that their practices minimize loss to the Government.

To accomplish these objectives, the audit (1) compared agency performance to the requirements of the DCIA and implementing regulations, (2) traced accounts receivable balances to source documents, (3) evaluated the age and collectibility of accounts receivable, (4) examined procedures used to certify the existence of the delinquent debt, (5) examined procedures used to document and classify delinquent debt, and (6) evaluated procedures used to resolve delinquent debt returned by FMS to the program agency as not eligible for collection.

The audit focused on non-tax delinquent debt as of the end of FY 1998. The audit field work was conducted at the various program agencies between October 1998 and April 1999. This audit was conducted in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States.

Audit Results

Finding 1 Progress Has Been Made Toward Implementing the Legislatively Mandated Provisions of the DCIA, However, More Needs to Be Done

Generally, Federal agencies have worked diligently towards meeting the objectives of the DCIA, which are to (1) maximize collections of delinquent debts owed to the Government and (2) reduce losses arising from inadequate debt management activities. As a result, progress has been made in collecting Federal non-tax delinquent debt. Since enactment of the DCIA, cumulative collections of Federal non-tax delinquent debt through administrative offset and cross-servicing have risen from approximately \$1.5 million at the end of FY 1997 to about \$15.4 million as of the end of FY 1998. Also, collections of Federal non-tax delinquent debt through TRO have increased from approximately \$0.7 billion to about \$0.9 billion between calendar years 1997 and 1998.

According to FMS, total non-tax delinquent debt increased from \$51.9 billion in FY 1997 to \$60 billion at the end of FY 1998. Of this amount, approximately \$46.4 billion was over 180 days delinquent at the end of FY 1998. The DCIA requires program agencies to refer non-tax debt over 180 days delinquent to FMS for administrative offset and/or cross-servicing, with certain exceptions. Accordingly, approximately \$15.2 billion was excluded from referral to the Treasury Offset Program (TOP), resulting in about \$31.2 billion eligible for referral to FMS for administrative offset during FY 1998. Of the \$31.2 billion eligible for TOP referral, another \$23.1 billion was excluded from cross-servicing, resulting in about \$8.1 billion eligible for referral to FMS for cross-servicing.

Of the \$31.2 billion of delinquent debt that was eligible to be referred to FMS for TOP, \$16.9 billion was actually referred to TOP. Of this amount, \$3.7 million was collected through the administrative offset process. Also, of the \$8.1 billion of delinquent debt that was eligible to be referred to FMS for cross-servicing, \$1.9 billion was actually referred. Of this amount, \$11.7 million was collected through FMS's cross-servicing process (See Appendix D).

Thus, approximately \$15.4 million of Federal non-tax delinquent debt that was referred to FMS for TOP and cross-servicing collection activities was collected as of the end of FY 1998. In addition to delinquent debt collections through TOP and cross-servicing, FMS collected another \$0.9 billion of Federal non-tax delinquent debt through its TRO process.

In comparison, of the \$29 billion eligible for FMS collection at the end of FY 1997, \$9.4 billion was referred for TOP and \$460 million was referred for cross-servicing. Of these delinquent debt referrals, \$0.4 million and \$1.1 million were collected through TOP and cross-servicing, respectively. In addition, FMS had collected \$0.7 billion through its TRO process as of the end of calendar year 1997 (See Appendix E). Accordingly, as a result of increased agency participation (17 agencies in FY 1997, in contrast to 39 in FY 1998) and improved debt collection activities, collections by FMS of Federal non-tax delinquent debt through TOP and cross-servicing increased from approximately \$1.5 million to about \$15.4 million between FYs 1997 and 1998. In addition, collections of Federal non-tax delinquent debt through TRO have risen from approximately \$0.7 billion to about \$0.9 billion between calendar years 1997 and 1998.

Our analysis showed that FMS's ability to collect non-tax delinquent debt through its cross-servicing process is directly related to the age of the delinquent debt. Generally, successful debt collection becomes increasingly difficult as the delinquencies age. According to a recent study conducted by PricewaterhouseCoopers, which analyzed the collectibility of Federal non-tax delinquent debt, the majority of debt was between 1 and 6 years old, with the bulk of the debt between 4 and 6 years delinquent. Based on industry collection standards, the recovery rates for debt between 4 and 6 years delinquent ranges from a low of 0.4 percent to a high of 1 percent. During FY 1998, FMS's collection rate for its cross-servicing/private collection agency function was 0.6 percent.

Although progress has been made in the collection of Federal non-tax delinquent debt, more needs to be done to ensure that Federal agencies are referring delinquent debt to FMS for collection activities and are adequately managing their respective portfolios to ensure that loss to the Federal Government is minimized. Specifically, Federal agencies should refer eligible delinquent debt to FMS for collection activities in a timely manner; accounts receivable balances should be verified and reviewed for existence, accuracy, and completeness; delinquent debt should be properly classified and processed in a timely manner; interest, penalties, and administrative costs should be assessed on delinquent debt; and procedures to implement the provisions of the DICA should be established. Findings 2 and 3 discuss each of these areas in more detail.

Finding 2 Federal Agencies Should Refer Eligible Delinquent Debt to FMS For Collection Activities and Ensure That Referrals Are Timely

The audit revealed that significant portions of non-tax delinquent debt eligible to be referred to FMS for collection activities were not referred for various reasons. Of the 16 participants in the PCIE/ECIE review, 7 agencies did not fully meet the delinquent debt referral requirements of the DCIA. Also, several agencies did not refer their delinquent debt to FMS in a timely manner.

Table 1 reflects the Federal non-tax delinquent debt that was eligible to be referred to FMS by the participating agencies, but was not. (See Appendix F for 24 CFO agencies.)

Table 1
FY 1998
Federal Non-Tax Delinquent Debt Eligible to be Referred to FMS
(Participating Agencies Only)

(in thousands)

<u>Agency</u>	<u>Total 180 day Delinquent Receivables</u>	<u>Eligible TOP</u>	<u>Referred TOP (1)</u>	<u>Not Referred TOP</u>	<u>Eligible Cross/Ser</u>	<u>Referred Cross/Ser (1)</u>	<u>Not Referred Cross/Ser</u>
SBA	\$2,186,000	\$692,000	\$663,879	\$28,121	\$691,650	\$599,088	\$92,562
VA	\$1,308,096	\$319,738	\$255,089	\$64,649	\$721,778	\$5,147	\$716,631
SSA	\$444,019	\$444,019	\$565,121	\$0	\$444,019	\$0	\$444,019
OPM	\$90,766	\$25,422	\$6,042	\$19,380	\$25,422	\$9,053	\$16,369
DOJ (2)	\$34,667	\$11,231	\$333,408	\$0	\$11,084	\$64	\$11,020
TREA	\$4,648	\$3,854	\$2,157	\$1,697	\$2,870	\$3,566	\$0
CPSC	\$71	\$16	\$0	\$16	\$16	\$10	\$6
Total	\$4,068,267	\$1,496,280	\$1,825,696	\$113,863	\$1,896,839	\$616,928	\$1,280,607

(1) Referrals through 7/31/99

(2) Justice includes amounts on behalf of other program agencies

(3) Amounts referred may exceed amounts eligible because eligible amounts are established as of 9/30/98 and debt referrals as of 7/31/99.

The DCIA requires program agencies to refer non-tax debt over 180 days delinquent to FMS for administrative offset and/or cross-servicing, with certain exceptions.

Exceptions that exclude debt from TOP include debt that is in bankruptcy, forbearance,

or appeals, foreclosure, accelerated debt and foreign debt. In addition, debt that is (1) at the Department of Justice for litigation, (2) eligible for internal offset, (3) at a third party, or (4) at an agency that has a waiver to the DCIA cross-servicing requirements is excluded from cross-servicing.

Various reasons preclude program agencies from referring eligible delinquent debt to FMS for collection activities. These reasons include electronic file incompatibility problems and the uniqueness of the individual agency programs. For example, the Department of Veterans Affairs (VA) had approximately \$320 million of non-tax delinquent debt that was eligible for referral to FMS for TOP and about \$722 million eligible for referral to FMS for cross-servicing at the end of FY 1998. However, approximately \$64.6 million and \$716.6 million of this delinquent debt was not referred to FMS for TOP and cross-servicing, respectively. VA did not refer any delinquent debt to FMS for collection activities until December 1998, because the agency had an application pending with FMS to be designated as a debt collection center. Upon approval of the debt collection center designation, VA would have been exempt from the delinquent debt referral requirements of the DCIA.

However, the application was denied in November 1998. Subsequent to the debt collection center denial, VA referred \$252 million to FMS for TOP and \$3.3 million for cross-servicing. The agency was unable to refer approximately \$400 million to FMS for cross-servicing due to computer file format incompatibility problems. In January 1999, VA received FMS's automated file format requirements and began reformatting its files to allow delinquent debt eligible for cross-servicing to be referred to FMS.

In another example, the Department of Justice (DOJ) had non-tax delinquent debt in excess of \$29 million at the end of FY 1997. DOJ's OIG believes that the vast majority of this amount represented non-litigated agency debt that was eligible for referral to FMS for collection activities. FMS records indicated that approximately \$18.6 million of this \$29 million of delinquent debt was eligible for referral to FMS for TOP and/or cross-servicing. However, at the time of our review, none of this debt had been referred to FMS. DOJ management informed the OIG that debt referrals to FMS for cross-servicing would begin once DOJ's *Accounting Systems for the Department of Justice* is published in the Federal Register. This action was planned to take place during May 1999. Subsequent to completion of this review, the OIG was informed by DOJ management that the accounting system had been established and that referrals to FMS should have begun.

In addition, the audit found that several agencies were not referring their delinquent debt to FMS in a timely manner. Of the 16 agencies reviewed, 4 did not consistently refer delinquent debt to FMS in a timely manner.

Small Business Administration

The OIG concluded that the Small Business Administration (SBA) did not always refer its delinquent debt to FMS in a timely manner. Of the 88 loan files that were reviewed, 22 were not referred to FMS for collection activity. However, subsequent to the audit, the auditors were made aware that 1 loan file was referred to FMS for cross-servicing and notices of pending referral were sent to borrowers for 4 additional loan files.

Consumer Product Safety Commission

The audit revealed that the Consumer Product Safety Commission (CPSC) referred delinquent Freedom of Information Act (FOIA) fees to FMS for collection in August 1998 that had been delinquent an average of 451 days before they were referred. Also, other late referral instances were identified, which included a debt owed by a vendor since 1996, but CPSC did not refer this debt to Treasury until FY 1999.

Department of State

The audit revealed that the Department of State was sending debt to FMS for TOP collection actions only once a year, and did not have a routine process to certify and send its debt to cross-servicing after each debt became eligible. Accordingly, debts were not being referred to FMS when they became 180 days delinquent. For example, at the start of the OIG's review, the Department of State identified a batch of 346 debts totaling \$464,206 that were eligible for cross-servicing, however, these debts were not forwarded to FMS until January 1999.

Department of the Treasury

The audit revealed that Treasury did not refer all of its delinquent debt to FMS in a timely manner. Specifically, the OIG reviewed 10 debt case files at Treasury's Departmental Offices for timeliness of referral. All 10 debt files were referred late to FMS. The average delay in sending debt to FMS was 197 days.

At the United States Secret Service (Secret Service), the OIG identified 2 debt cases that were eligible to be referred to FMS for collection; however, neither case was forwarded until more than 400 days had elapsed. In addition, the OIG identified 2 other debt cases (outside of the sample) that had not been referred to FMS until more than 1,000 days had elapsed.

Similarly, at the United States Customs Service (Customs), the OIG identified 14 debt case files, of 61 files reviewed, that had not been referred for collection activity for more than 5 years. In one case, a debt was sent to FMS in August of 1998 for a travel advance that occurred in August of 1990.

National Aeronautics and Space Administration

The OIG found that some National Aeronautics and Space Administration (NASA) installations did not timely transfer all debt delinquent over 180 days to FMS. Specifically, the Johnson Space Center transferred 3 debts that averaged 883 days delinquent and did not transfer receivables totaling \$741. Headquarters transferred 4 debts that averaged 608 days delinquent and did not transfer 1 debt that totaled \$16,101 and was 600 days delinquent. Also, the Goddard Space Flight Center did not transfer receivables that totaled \$9,173. The NASA OIG concluded that these were anomalies and did not consider them to be material. Accordingly, NASA was not included in the agency summary totals.

In summary, according to FMS, during FY 1998, of the \$31.2 billion that was eligible for referral to TOP, \$14.3 billion was not referred to FMS for collection activities. Also, of the \$8.1 billion eligible for referral to cross-servicing, \$6.2 billion was not referred. Similarly, during FY 1997, of the \$29 billion eligible for referral to TOP, about \$19.6 billion was not referred to FMS for collection; and of the \$8.5 billion eligible for cross-servicing, about \$8 billion was not referred. Non-tax delinquent debt that is not referred for collection activities cannot be collected by FMS. Also, delinquent debt that is not referred to FMS in a timely manner reduces the likelihood of the debt being collected. Even though FMS reported that Federal non-tax debt delinquent over 180 days decreased from \$47.2 billion in FY 1997 to \$46.4 billion at the end of FY 1998, overall Federal non-tax delinquent debt increased from \$51.9 billion to \$60 billion during this time period.

Finding 3 Agency Portfolio Management Practices Should Be Improved

The audit identified numerous portfolio management deficiencies at many of the agencies participating in the review. Specifically, 9 of the 16 agencies represented in our PCIE/ECIE non-tax delinquent debt audit had inadequate debt management practices. The audit identified instances where there was no support for the accounts receivable balances, past due notices were not sent, aging was not performed on the delinquent debt accounts receivable balances, and delinquent

debt accounts receivable balances were significantly overstated and/or understated, as well as other portfolio management deficiencies. (See Appendix B.)

In an effort to reduce potential losses to the Government resulting from delinquent debt, the DCIA requires individual program agencies to aggressively pursue the collection of debt once it becomes 30 days delinquent. In this regard, the program agency may employ collection tools, such as demand letters, negotiated repayment agreements, wage garnishment, and debt sales, to collect non-tax delinquent debt. Also, the DCIA requires the program agencies to reduce losses arising from debt management activities by requiring proper screening of potential borrowers, aggressive monitoring of accounts, and sharing of information among Federal agencies. Inadequate debt management activities not only decrease an agency's ability to collect delinquent debt, but also reduce an agency's ability to prevent further losses to the Federal Government resulting from extension of credit to high risk debtors.

Accounts Receivable Balances Should Be Verified and Reviewed For Existence, Accuracy, and Completeness

It is critical that program agencies maintain accurate accounts receivable balances to ensure that all delinquent debt is identified and accurate collection activities are performed. Of the 16 agencies reviewed, 5 had inaccurate accounts receivable balances as of the end of FY 1998. Also, 3 agencies did not accurately age their accounts receivable. Financial statement audits conducted under the Government Management Reform Act require that certain audit procedures be performed when auditing accounts receivable. Specifically, audits of accounts receivable should determine whether the receivables exist, are authentic obligations owed to the entity, and contain no significant amounts that should be written off; and whether the allowances for doubtful accounts are adequate and not excessive.

In an effort to ensure that the accounts receivable accurately represent monies owed to the Federal Government and are collectible, Office of Management and Budget (OMB) Circular A-129, *Policies For Federal Credit Programs and Non-Tax Receivables*, requires agencies to ensure that delinquent debts are written off as soon as they are determined to be uncollectible. Inaccurate accounts receivable balances reduce an agency's ability to verify the existence and accuracy of delinquent debt, and ultimately decrease an agency's ability to collect outstanding debt.

The 5 agencies that had inaccurate accounts receivable balances as of the end of FY 1998 are discussed below.

Department of Veterans Affairs

In reporting on its audit of the VA Consolidated Financial Statement (CFS) for FY 1998, the OIG qualified its opinion on material amounts of accounts and loans receivable due to the inadequacy of supporting accounting records. Accordingly, the amounts that the VA reported as delinquent debt at the end of FY 1998 could not be attested to as accurate. Specifically, of the total net debt and foreclosed property of \$4.7 billion, the OIG qualified its opinion on the accounts relating to the Housing Credit Assistance program, which was \$3 billion of the total. Further, the Veterans Health Administration's receivables of \$440 million were overstated by \$65 million. These inaccurate balances resulted from VA not consistently following its accounting procedures and/or internal controls not operating effectively. VA is in the process of correcting its accounting records and expects to have the qualification removed for its FY 1999 CFS.

Small Business Administration

The OIG concluded that SBA accurately reported to Treasury in its *Report on Receivables Due From the Public* that it had \$1.7 billion in delinquent debt as of the end of FY 1998. However, the receivable for loan guarantee fees was overstated by about \$22.6 million because loan modifications or cancellations were not recorded in the loan accounting system.

Department of Justice

The OIG concluded that the Bureau of Prisons (BOP) inaccurately reported to Treasury in its *Report on Receivables Due From the Public* that it had 352 delinquent debts owed by the public totaling \$8.5 million as of the end of FY 1997. The OIG determined that the reported delinquent receivables were understated by 14 debts, or \$4.2 million dollars. This resulted from delinquent receivables that were incorrectly aged and identified as current receivables.

Consumer Product Safety Commission

The OIG concluded that the accounts receivable reported to the Treasury by the CPSC were overstated by \$158,859 at the end of FY 1998. This resulted from the lack of adequate management controls over the recording and collection processes.

U.S. International Trade Commission

The OIG found that 16 current and 21 former U.S. International Trade Commission (ITC) employees had incurred nearly \$7,000 in non-tax debt between January 1996 and October 1998. About \$2,400 of this debt related to health insurance coverage. The other \$4,600 related to salary overpayments mostly resulting from errors in compensatory time payments and hourly rates. None of these debts were recorded as receivables. In addition, approximately \$3,000 in car pool subsidy debt was not recorded as a receivable.

National Aeronautics and Space Administration

The OIG identified the following accounts receivable inaccuracies at NASA. The OIG concluded that although it did not find material misstatements, there was a potential for errors to occur and not be corrected in a timely manner.

- Goddard Space Flight Center overstated a receivable in the general ledger by \$135,433 as of September 30, 1998. This occurred because Goddard did not post a payment received during the transition of the receivable from Headquarters.
- As of September 30, 1998, Headquarters did not include in its general ledger four bills totaling \$16,580.
- As of September 30, 1998, Johnson Space Center incorrectly included a bill in the general ledger for \$2,168 and omitted one bill totaling \$616.
- As of March 1999, NASA installations had not received and recorded \$23,679 in payroll receivables.

Also, the OIG found that NASA was not accurately reporting delinquent receivable amounts to Treasury because some installations were not correctly identifying the amount of delinquent debts in their *Report on Receivables Due from the Public*. As a result, NASA had been reporting a higher amount of delinquent debts to FMS than actually existed. NASA reported \$14 million in delinquent debts as

of September 30, 1997, and \$8 million as of September 30, 1998, instead of the \$3 million that actually existed at the end of each of these fiscal years.

The following 3 agencies did not accurately age their accounts receivable:

Department of State

The OIG found that the accounting system at the Department of State did not produce a reliable aging schedule. The aging schedule ending balances did not agree with the ending balances reflected on the “cumulative report.” The Department of State is modifying and testing these reports. As long as the Department of State does not have a reliable aging schedule, decisions on the collectibility and management of accounts are hindered.

Also, the audit revealed that the Department of State did not have a write-off policy for certain accounts receivable. Specifically, the Department of State had not established write-off policies for repatriation loans; emergency medical, dietary, and temporary assistance loans; and travel advances. The Department of State did not establish write-off procedures for repatriation loans because of repatriation loan statute restrictions (PL 98-164). However, the OIG concluded that accounts which are unlikely to be collected inflate the accounts receivable total, giving the impression that collections will be higher than actually realized. The Department of State informed the OIG that it is working on establishing a write-off policy for repatriation loans. Under the policy, an account would remain open, but would not be shown on the books as part of total receivables.

Regarding travel advances, a write-off policy had been drafted, but the OIG concluded that it was not adequate. The policy stated that advances over 120 days old and less than \$25 should be written off. The OIG concluded that there are very old accounts in the system that are greater than \$25 and are unlikely to be collected. Accounts that are unlikely to be collected should not be shown on the books as future cash inflow.

Department of Justice

The OIG found that a schedule of receivables was maintained by BOP in its Financial Management System. The system generated receivable reports used by BOP to report delinquent debt. However, the review of the FY 1997 reports disclosed that some receivables were not accurately aged. The OIG identified a total of \$9.1 million (this includes the \$4.2 million previously mentioned) in receivables that had been outstanding for a period greater than was identified in the aging reports.

Office of Personnel Management

The audit disclosed that accurate aging schedules at the Office of Personnel Management (OPM) were not produced for its Revolving Fund (RF) and Salary and Expense (S&E) accounts. Reliable information reports on the amount of delinquent accounts receivable were not available. Due to this and other deficiencies, the OIG did not test for compliance with DCIA. Also, the OIG issued a disclaimer of opinion on OPM's FY 1998 RF and S&E Financial Statements.

Delinquent Debt Should Be Properly Classified

The audit revealed that some program agencies did not properly classify all of their delinquent debt. Specifically, 4 of the 16 agencies reviewed did not properly classify all of their delinquent debt. OMB Circular A-129 states that agencies shall establish an accurate and timely reporting system to notify collection staff when a receivable becomes delinquent. Delinquent debt that is not properly classified will likely decrease the collectibility of the debt.

Department of Justice

The OIG identified a total of \$9.1 million in receivables that had been outstanding for a period greater than was identified in the aging reports. These amounts included receivables reported as current that were actually delinquent and delinquent receivables that were not aged properly. Specifically, delinquent receivables aged incorrectly and associated with a miscellaneous appropriation were identified as current receivables. Accounting transactions entered by the BOP resulted in receivables being aged improperly by the accounting system.

Consumer Product Safety Commission

The OIG found that of the \$251,667 in civil penalties reported as delinquent as of the end of FY 1998, \$201,167 was misclassified. Two debts totaling \$155,000 had been collected and 2 debts totaling \$50,000 should have been classified as a current receivable because they were not due according to the terms of the settlement agreement. These amounts were offset by \$3,833 which was erroneously recorded in September 1998.

Department of State

The OIG found that delinquent debt had been referred to FMS for collection activity in situations where the associated statute of limitation had already expired. Of the 20 debt files reviewed, 2 debts were referred to FMS where the 10-year statute of limitations had been exceeded. This occurred because the incur date was manually input incorrectly during the accounting system change over. As a result, FMS has received debt case files where the statute of limitations had expired and which legally should not have been subject to TOP.

Department of the Treasury

The OIG found that Treasury's Departmental Offices did not properly classify a significant portion of its delinquent debt. Specifically, of the 23 debt cases reviewed, 10 were not properly classified. In terms of dollars, misclassified debt represented \$567,088, which is 64 percent of the \$891,952 of debt sampled. This misclassification occurred because the accounting department did not closely monitor the debt status to be knowledgeable of when the debt became delinquent.

Similarly, at Customs, the OIG found that delinquent debt was not always properly classified. In the OIG's sample of 61 debts, 4 debts totaling \$5,092 were misclassified as delinquent. Of the 4 debts that were misclassified, 2 debts were inappropriately classified as accounts receivable; 1 debt had documentation in the file stating that it had been written off; and the other debt had been collected by the United States Department of Agriculture but was still being reported as a receivable by Customs. Again, these debts were misclassified because Customs was not closely monitoring its delinquent debt.

National Aeronautics and Space Administration

The OIG found that NASA's functional offices did not forward bills of collection they generated to accounts receivable offices for processing. At Ames Research Center, Dryden Flight Research Center, and Stennis Space Center, debtors had either paid off

or negotiated cancellation of payroll receivables totaling \$5,650, but those installations had not notified the NASA payroll office of the liquidation of the receivables.

Also, the Goddard Space Flight Center and Headquarters reports on receivables did not show accurate delinquent receivable balances. The installations reported debts under 30 days old as delinquent. Also, the Goddard Space Flight Center and the Johnson Space Center were classifying as delinquent those debts for which the debtor was making payments on the balance due in accordance with an agreement between the installation and the debtor.

The OIG concluded that these were anomalies and not material misstatements. Accordingly, NASA was not included in the agency summary totals.

Delinquent Debt Should Be Timely Processed

The audit revealed that program agencies are not consistently sending notices to debtors in a timely manner. Specifically, 4 of the 16 agencies reviewed did not send demand letters to debtors in a timely manner. Also, 4 agencies (includes 2 of the agencies previously mentioned) did not send demand notices to debtors in certain instances. (See Table 2.)

**Demand Letter Summary
Table 2**

Program Agency	Late demand letter	No demand letter
SMALL BUSINESS ADMN.	X	X
CONSUMER PRO. SAFE COMM.	X	
DEPARTMENT OF STATE	X	
OPM (1)		X
TREASURY	X	X
INTERNATIONAL TRADE COMM.		X

(1) The deficiencies identified relate only to Revolving Fund and Salaries and Expenses accounts.

The DCIA requires agencies to aggressively pursue the collection of delinquent debt. Along with this, program agencies are to ensure that the public is fully informed of the Federal Government's debt collection policies and that debtors are cognizant of their financial obligations to repay amounts owed to the Federal Government. Also, program

agencies are required by the DCIA to ensure that debtors have all appropriate due process rights, including the ability to verify, challenge, and compromise claims, and access to administrative appeals procedures which are both reasonable and protect the interests of the United States.

To facilitate these requirements, OMB Circular A-129 requires agencies to send demand letters to the debtor, generally as soon as the account becomes delinquent past 30 days.¹ These letters should incorporate, as appropriate, due process notices for referring delinquent accounts to credit reporting agencies, initiating Federal salary offset, and referring debt to legal counsel for litigation.

Small Business Administration

The audit revealed that SBA used debt collection tools described in the DCIA and OMB Circular A-129 in servicing 33 of the 39 delinquent business loans reviewed. However, the remaining 6 loans contained no evidence of any attempts to collect on the debt. A separate audit conducted by the OIG showed that Disaster Home Loan Servicing Centers, which are responsible for servicing delinquent home loans, should have initiated collection and liquidation actions earlier for 113 of the 265 loans reviewed. In addition, 46 of 165 disaster home loans reviewed were written off without first being referred for litigation or to FMS for further collection activity.

Consumer Product Safety Commission

The OIG found that an aggressive effort was not being made to collect delinquent FOIA fees once they were 30 days past due. As a result, FOIA fees back to FY 1994 were still outstanding. Files reviewed showed that 23 demand letters totaling \$4,292 were sent to debtors in August 1998 for debts ranging from 83 to 630 days past due.

Department of State

The audit revealed that the Department of State does not have adequate procedures to track debtor late notices. Three progressively sterner late notices and finally a due process notice are sent to each delinquent debtor. However, the Department of State cannot track by date how many, which type, or to whom late notices were sent. The

¹ Direct loans are considered to be delinquent when an agreed-upon payment is not paid by the due date, or by the end of any "grace period" established in the loan agreement. Guaranteed loans are in default when the borrower breaches the loan agreement with the private sector lender. It becomes a default to the Federal Government when the guaranteeing Federal Agency repurchases the loan.

accounts receivable tracking system is not able to provide reports of debtors who received late notices by specific type and time period. Without this verification, the Department of State cannot be sure that the debtors have actually been sent appropriate notices seeking repayment of the debt.

Also, the audit revealed that many late notices were returned to the Department of State because the addresses provided by the debtor were incorrect. When this occurs, the OIG stated that the Department of State should identify the current address of the debtor through the Internal Revenue Service using the debtor's social security number before sending the next notice. The Department of State does not have a specific routine to accomplish this. If the notices are not sent to the debtors' correct address, the debtors cannot receive the notices informing them of their owed debt. Accordingly, the debt remains uncollected.

Office of Personnel Management

The OIG's review of controls over OPM's Revolving Fund and Salaries and Expenses accounts receivable found that past due notices were not sent to customers for outstanding balances.

Department of the Treasury

The OIG found that Treasury's Departmental Offices was not sending demand letters to debtors within its internally required 30-day intervals. In one instance, the first demand letter requesting payment was not sent until 3 months after the debt was due. Also, Departmental Offices neglected to send the second and third demand letters in several instances. In another instance, no demand letter was ever sent to the debtor.

Also, the OIG found that the Secret Service was not sending out the demand letters in a timely manner. Of the 4 debt files reviewed, 90 days or more had elapsed before the initial notification letter was sent to the debtor. In one instance, more than 150 days had elapsed and a letter had not been sent.

Similarly, at Customs, the OIG found that demand notices were not being sent to debtors in a timely manner. Specifically, the audit revealed that 67 percent of the debtors were not contacted in a timely manner.

U.S. International Trade Commission

The OIG found that 16 current and 21 former employees incurred nearly \$7,000 in non-tax debt between January 1996 and October 1998. None of these employees received notices regarding their debt.

National Aeronautics and Space Administration

The NASA OIG found that demand notices were not sent to debtors in a timely manner at certain installations. Specifically, Headquarters averaged 162 days between the original bill and issuance of the first demand notice to the debtor. Similarly, at the Kennedy Space Center the average days between the original bill and issuance of the first demand notice was 239 days. However, after changes in its policy, this average decreased to 59 days. Johnson Space Center averaged 56 days between the original bill and the issuance of the first demand letter.

The NASA OIG concluded that these were anomalies and not material errors. Accordingly, NASA was not included in the agency summary totals.

Agencies Should Assess Interest, Penalties, and Administrative Costs on Outstanding Debt

The audit revealed that some program agencies were not assessing interest, penalties, and administrative costs on their delinquent debt balances. Of the 16 agencies reviewed, 7 did not assess interest on their delinquent debt or assessed it incorrectly. Also, several agencies did not impose penalties or administrative costs. OMB Circular A-129 requires agencies to assess interest, penalties, and administrative costs on outstanding delinquent debt in accordance with 4 CFR 102, *Standards for the Administrative Collection of Claims*. Specifically, except where prohibited by applicable statutes, regulations, loan agreements, or contracts, interest shall accrue from the date on which notice of the debt and interest charges is mailed or delivered to the debtor.

Also, OMB Circular A-129 requires agencies to assess a penalty, not to exceed 6 percent a year, on any portion of the delinquent debt. Regarding administrative costs, OMB Circular A-129 defines these costs to include both the direct and indirect costs incurred in collecting debts from the time they become delinquent until collections are made or agency collection efforts cease.

The lack of assessing interest, penalties, and administrative costs on delinquent debt results in revenue loss to the Federal Government and may reduce the debtors' incentive to repay debt owed.

Department of Veterans Affairs

The OIG reported that VA does not charge interest and administrative costs on compensation and pension accounts receivable balances. Accordingly, VA is not in compliance with OMB Circular A-129 or Public Law 96-466 (*Veterans Rehabilitation And Education Act of 1980*), which requires that interest and administrative cost be charged on any amount owed to the United States for indebtedness resulting from a person's participation in a benefit program administered by the VA Secretary, other than a loan, loan guaranty, or loan insurance program.

As a result, more than \$32 million in interest and administrative costs applicable to the compensation and pension accounts receivable were lost during FY 1998. In a July 1992 decision, the former VA Deputy Secretary decided that VA would not charge interest on compensation and pension debts. The OIG has reported its disagreement with the Deputy Secretary's decision since 1992.

Rather than continuing the noncompliance, the OIG recommended that VA comply, or initiate legislative change to Public Law 96-466. During FY 1998, VA requested relief from OMB regarding assessing interest and administrative costs. The OIG reported that, as of the close of its audit work, this issue had not been resolved.

Social Security Administration

The audit found that the Social Security Administration (SSA) did not apply interest to its delinquent debt. Thus, the Federal Government is losing potential revenue on SSA's delinquent debt. However, due to the limited scope of the audit, the OIG did not determine the cause or the significance of lost interest revenue. The OIG reported that SSA is working on incorporating interest assessment processes into its debt management program.

Department of Justice

The OIG found that BOP charged interest on receivables due from their employees. However, BOP did not charge interest on the majority of debt owed by the public. BOP only assessed \$2,737 in interest while being owed a debt principal of \$12.7

million. According to BOP policy, interest is to be computed monthly for each overdue bill. In its *Department-Wide Debt Management Review*, DOJ reported that BOP did not charge interest, penalties, and administrative costs on all delinquent debts as required by law. Instead, BOP decided to waive collection of interest and penalties on certain types of receivables.

Consumer Product Safety Commission

The audit revealed that the CPSC did not accurately assess interest on its delinquent FOIA fees and civil penalties during FY 1998. Although the amount of interest was minimum, actions will be taken to ensure that interest is properly assessed in the future. For example, a new accounting system, which has the capability of calculating the correct amount of interest, has been put into place.

Department of State

The OIG found that interest, penalty, and administrative charges on some debts that were forwarded to FMS for cross-servicing were not calculated correctly. The Department of State's former accounting system did not calculate interest, penalty, and administrative charges correctly. However, the Department of State's new accounting system calculates interest, penalty, and administrative charges correctly. As a result, the Department of State's reported amount of delinquent debt for accounts prior to the accounting system conversion date, October 1997, was incorrect. When the debt was transferred to FMS for cross-servicing, the Department of State did not adjust interest on the old debt because it would have been too overwhelming.

Department of the Treasury

The OIG found that Treasury's Departmental Offices did not assess interest and administrative charges on several delinquent debt accounts. Departmental Offices management stated that this situation occurred because the accounting department did not closely monitor delinquent debt.

Similarly, at Customs, the OIG found that interest, penalties, and administrative fees were not being charged on the delinquent debt. The OIG was informed by Customs' management that, prior to the DCIA, it was Customs' policy not to charge interest on employee debt. However, the audit showed that collection letters that were sent to employees indicated that interest and penalties would be charged.

As a result of these Treasury bureaus not assessing interest, penalties, and administrative costs, revenue losses to the Federal Government occurred. However, due to the limited scope of the audits, the OIG did not substantiate the significance of revenue loss.

U.S. International Trade Commission

The audit of ITC identified approximately \$10,000 in non-tax debt. ITC did not charge interest or administrative charges on this debt.

National Aeronautics and Space Administration

The OIG found that NASA did not assess penalties and administrative fees at all installations. Specifically, neither Headquarters nor Goddard Space Flight Center assessed debtor's penalties or administrative charges. Prior to February 1999, Headquarters financial management personnel mistakenly believed that penalties and administrative fees could be waived until the debts were transferred to FMS. In February 1999, Headquarters financial management implemented a policy to assess penalties and administrative fees.

When Goddard Space Flight Center implemented its automated accounts receivable system in June 1997, it was designed to calculate interest only. Goddard Space Flight Center did not implement procedures to assess penalties and administrative charges. Goddard Space Flight Center's Financial Management Division indicated that the system would be modified to assess the additional late charges. The OIG was not able to determine the total amount of uncollected penalties and administrative fees because billings and collections were made throughout the year and the audit was limited to bills outstanding as of January 1999 and at the end of FYs 1998 and 1997.

The NASA OIG concluded that these were anomalies and not material errors. Accordingly, NASA was not included in the agency summary totals.

Procedures to Implement DCIA Provisions Should Be Established

The audit revealed that some of the program agencies reviewed did not establish procedures to implement the provisions required by the DCIA or had minimal procedures in place. Of the 16 agencies reviewed, 4 agencies did not establish DCIA-specific procedures or had established minimal procedures.

The overall objectives of the DCIA are to (1) maximize collections of delinquent debts owed to the Federal Government by ensuring quick action to enforce recovery of debts and the use of all appropriate collection tools, and (2) reduce losses arising from inadequate debt management activities by requiring proper screening of potential borrowers, aggressive monitoring of all accounts, and sharing of information among Federal agencies. To accomplish these objectives, program agencies should establish specific procedures that provide guidance to facilitate the requirements of the DCIA. OMB Circular A-129 states that it is the agency's responsibility to ensure that the standards set forth in the Circular and supplementary guidance are incorporated into agency regulations and procedures for credit programs and debt collection activities.

Department of Veterans Affairs

The OIG found that although VA implemented the provisions of the DCIA, the agency had not incorporated the provisions of the DCIA in its policy guidance. The existing guidance was being updated to include the DCIA provisions.

Consumer Product Safety Commission

The audit revealed that the CPSC's standard operating procedures did not address the requirement to transfer debts to FMS after 180 days, as required by the DCIA. As a result, delinquent debt was not referred to FMS in a timely manner and some of the debt that was eligible for referral was not referred at all.

Department of the Treasury

The OIG found that Secret Service's *Accounts Receivable Manual* did not include procedures to facilitate the refund of unused airline tickets, and did not incorporate the provisions set forth in OMB Circular A-129. Secret Service is in the process of updating the *Accounts Receivable Manual*. However, at the close of our review, much of the manual was still in draft.

Office of Personnel Management

The OIG found that, regarding OPM's Retirement Program, there were limited policies and procedures related to overpayments of annuities and collection of delinquent accounts. Without documentation of policies and procedures, OPM

is less effective in collecting delinquent debts. OPM is currently working with FMS to update and document accounting and financial management policies and procedures relating to the overpayment process.

Finding 4 FMS’s Procedures to Implement DCIA Cross-Servicing Provisions Are Generally Effective

In addition to leading the PCIE/ECIE non-tax delinquent debt review, the Treasury OIG conducted reviews of FMS’s cross-servicing procedures and processes and of its oversight of private collection agencies (PCA), to further assess the implementation of DCIA provisions.² Overall, we concluded that these processes are generally effective in reducing non-tax delinquent debt. However, we identified several areas where improvements were needed. With regard to FMS’s cross-servicing function, our review indicated that FMS’s practices and procedures to familiarize agencies with the debt collection process, initiate collection efforts, and follow through with closure when debts are determined to be uncollectible were generally effective. However, we found that FMS needed to strengthen its procedures for designating debt collection centers and providing waivers to the transfer provision of the DCIA.

Specifically, the audit revealed that FMS did not notify Federal agencies in a timely manner of its decision to accept or reject applications requesting to become a debt collection center. Our analysis of FMS’s application processing revealed that after initial submission of the applications, the processing time ranged from 10 months

²The results of these Treasury OIG reviews are reported in the *Financial Management Service’s Cross-Servicing Program*, Report Number OIG-99-104, and the *Review of the Effectiveness of the Financial Management Service’s Oversight of Private Collection Agencies*, Report Number OIG-99-107.

to as long as 19 months. Also, the work performed by the VA OIG revealed that the VA did not transfer delinquent debt to FMS pending a decision on its application.

According to FMS’s procedures, *Federal Debt Collection Center Designation Policy, Procedures and Standards*, debt collection center proposals should be reviewed and evaluated by FMS within 120 days of submission and the requesting agency should be notified of the decision within this timeframe. We were informed by FMS management that the application review process is very time consuming, due to the numerous opinions and analyses needed in making a decision. FMS’s delay in rendering a decision regarding debt collection center approval may result in delayed transfer of delinquent debt to FMS for collection activities.

Also, we found that FMS granted waivers to the transfer provisions of the DCIA for longer than the 1-year timeframe allowed in the procedures. FMS is able to grant a

waiver to the transfer provision of DCIA for debts collected by the agency's debt collection center. This waiver is usually given for a specific type of debt. FMS granted a waiver to one agency for 3 years and is planning to grant another agency a similar 3-year waiver. At the end of 1 year, FMS will review, with the agency, its debt collection operations and determine if continuation of the waiver is warranted.

We were informed by FMS management that the 1-year timeframe was not adequate to review an agency's compliance. However, agency officials could not provide empirical data to support their contention that a 1-year waiver is insufficient. FMS needs to evaluate agency debt collection performance under the DCIA waiver provisions and determine whether the current 1-year waiver timeframe provides sufficient data to assess agency debt collection performance. Also, FMS should review agency debt collection center applications on a more timely basis.

Regarding its oversight of private collection agencies, we found FMS's oversight process to be generally effective. In addition, a survey of the PCAs indicated that 9 of the 10 PCAs that responded to our questionnaire were satisfied with the service FMS provided. While FMS's oversight of PCAs has been generally effective, we identified several operational areas where FMS can make further improvements.

Specifically, operational procedures at FMS's Birmingham Debt Management Operations Center (BDMOC) should be enhanced, the contracting officer's oversight procedures need improvement, and industry best practices should be

implemented to improve debt collection services. These improvements include implementing written procedures for the BDMOC, implementing a tracking system for both verbal and written complaints, tracking the actions of the PCAs, and monitoring collection procedures and practices to determine that cost-effective methodologies are being employed.

Conclusion

The DCIA is an important legislative tool to improve the Government's track record regarding the management and collection of delinquent debt. Although progress has been made in collecting Federal non-tax delinquent debt, more needs to be accomplished to ensure that program agencies assume an aggressive approach to collecting delinquent debt and that their portfolio management activities minimize loss to the Federal Government.

The Treasury OIG is aware that implementation of the provisions of the DCIA is a complex task requiring close coordination both within Treasury and with the program agencies that it services. However, we believe that if the deficiencies identified by this review are properly addressed, collections of Federal non-tax delinquent debt will continue to increase and the risk of additional loss to the Government will be minimized.

PCIE/ECIE NON-TAX DELINQUENT DEBT PROJECT PARTICIPANTS

Consumer Product Safety Commission
Department of Education
Department of Justice
Department of State
Department of Transportation
Department of the Treasury
Department of Veterans Affairs
Federal Communications Commission³
General Services Administration
National Aeronautics and Space Administration
National Endowment for the Arts
Office of Personnel Management
Railroad Retirement Board
Small Business Administration
Social Security Administration
U.S. International Trade Commission

³ The Federal Communications Commission OIG participated in the review, however, a report was not prepared because it was determined that the agency's non-tax delinquent debt was in bankruptcy, foreclosure, or forbearance/appeals processes. Such debt is not subject to the referral requirements of the DCIA.

**PCIE/ECIE Review of Non-Tax Delinquent Debt
Summary of PCIE/ECIE DCIA Results (1)**

Program Agency	no referral to FMS	late referral to FMS	no demand letter	late demand letter	misclassification of debt	no or inaccurate interest	inaccurate A/R balance	inadequate DCIA procedures	inaccurate A/R aging	Inadequate use coll. tools
CONSUMER PRO. SAFE COMM.	X	X		X	X	X	X	X		
DEPARTMENT OF STATE		X		X	X	X			X	
EDUCATION										
FEDERAL COMMUNICATION COMM.										
GENERAL SERVICES ADMN.										
INTERNATIONAL TRADE COMM.			X			X	X			
JUSTICE	X				X	X	X		X	
NASA (2)										
NATIONAL ENDOW ARTS										
OPM (3)	X		X					X	X	
RAILROAD RETIREMENT BOARD										
SMALL BUSINESS ADMN. (4)	X	X	X	X			X			X
SOCIAL SECURITY ADMN.	X					X				
TRANSPORTATION										
TREASURY	X	X	X	X	X	X		X		
VETERANS AFFAIRS (5)	X					X	X	X		

(1) The chart represents the types of deficiencies that were identified by the participating OIGs.

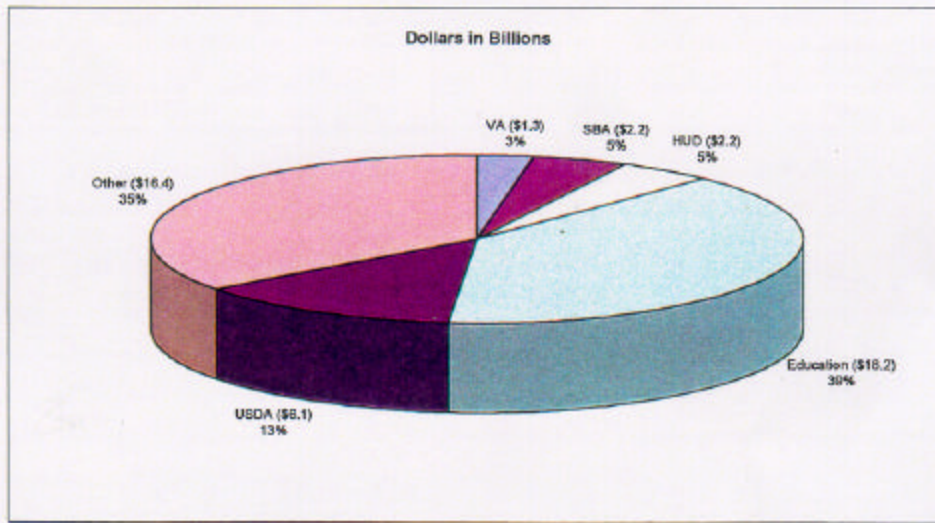
(2) Anomalies identified at NASA were considered not material by the NASA OIG.

(3) The deficiencies identified relate only to Revolving Fund and Salaries and Expenses accounts. OPM had limited procedures related to overpayments of annuities and collection of delinquent accounts.

(4) Of 88 loans sampled, 22 loans representing \$1.5 million were not referred to FMS for collection activity; SBA used many collection tools however, administrative wage garnishment and Federal wage matching were not used; receivable for loan guarantee fees was overstated by \$22.6 million.

(5) VA implemented provisions of the DCIA, however VA had not incorporated the provisions of the DCIA in its policy guidance.

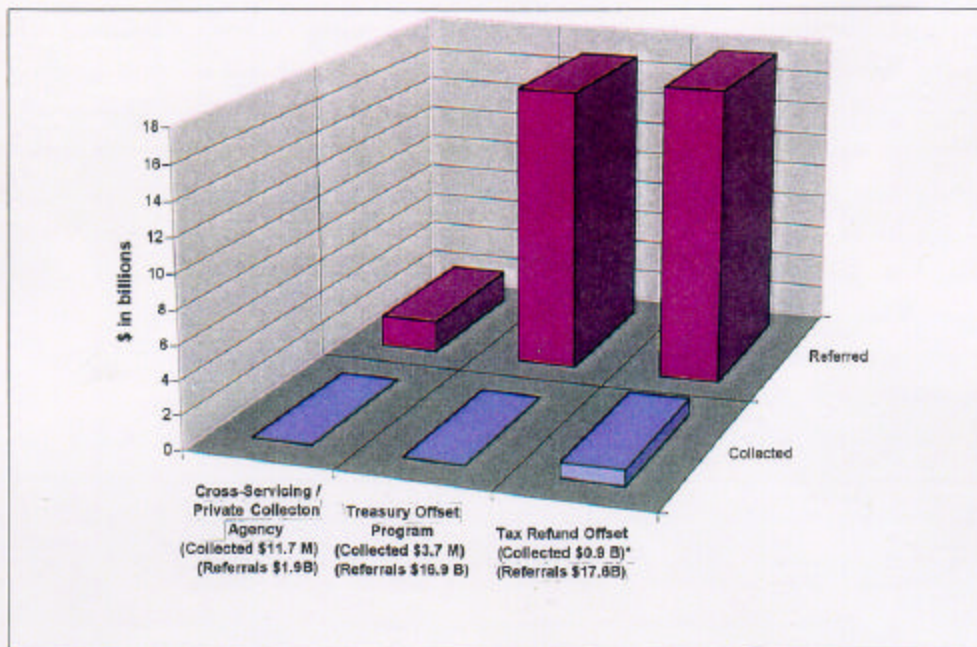
**Government-wide Portfolio Non-Tax Delinquencies Over 180 Days
FY 1998**



Total Government-wide Non-Tax Delinquencies = \$60 Billion
Government-wide Non-Tax Delinquencies Over 180 Days = \$46.4 Billion

Source: FMS Debt Management Services

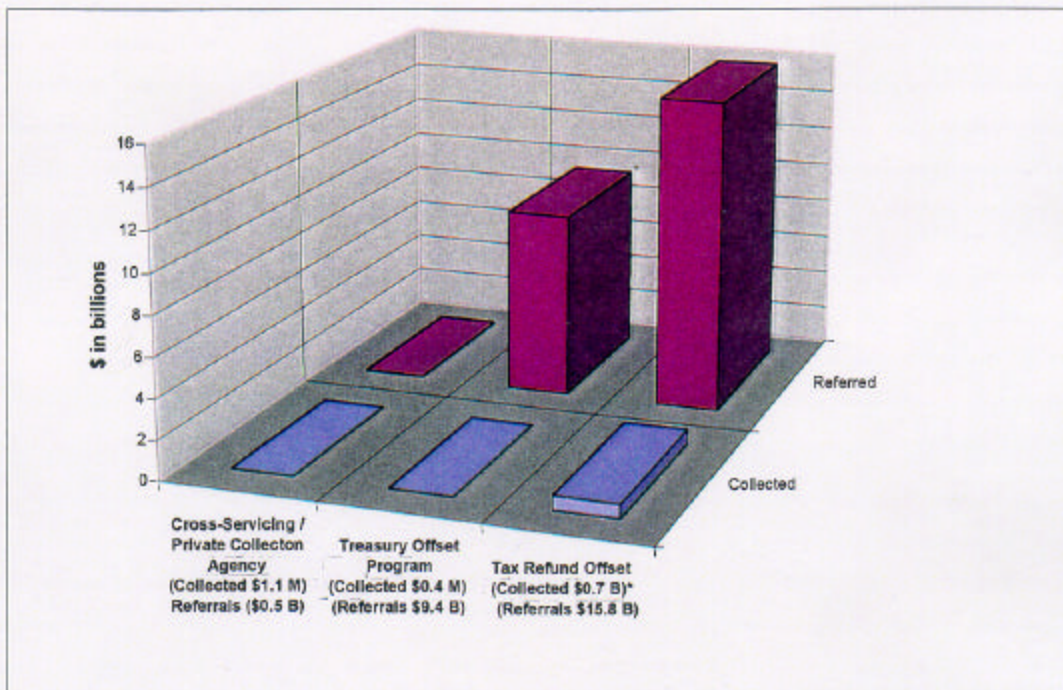
**Federal Non-Tax Delinquent Debt Referrals and Collections
FY 1998**



* TRO collections are as of the end of calendar year 1998

Source: FMS Debt Management Services

**Federal Non-Tax Delinquent Debt Referrals and Collections
FY 1997**



* TRO collections are as of the end of calendar year 1997

Source: FMS Debt Management Services

APPENDIX F

**FY 1998
Federal Non-Tax Delinquent Debt Eligible to be referred to FMS
(24 CFO Agencies)**

(in thousands)

<u>Agency</u>	<u>Total 180 day Delinquent Receivables</u>	<u>Eligible TOP</u>	<u>Referred TOP (1)</u>	<u>Not Referred TOP</u>	<u>Eligible Cross/Serv</u>	<u>Referred Cross/Serv (1)</u>	<u>Not Referred Cross/Serv</u>
ED	\$18,236,000	\$13,939,164	\$16,445,945	\$0	\$793,616	\$983,753	\$0
USDA (2)	\$6,091,376	\$1,603,577	\$1,280,720	\$322,857	\$1,332,674	\$82,340	\$1,250,334
HHS	\$4,262,051	\$2,973,977	\$379,410	\$2,594,567	\$379,277	\$246,424	\$132,853
DOE	\$2,291,674	\$89,167	\$537	\$88,630	\$88,623	\$86,604	\$2,019
HUD (2)	\$2,224,971	\$658,632	\$457,388	\$201,244	\$300,262	\$242,774	\$57,488
SBA	\$2,186,000	\$692,000	\$663,879	\$28,121	\$691,650	\$599,088	\$92,562
VA	\$1,308,096	\$319,738	\$255,089	\$64,649	\$721,778	\$5,147	\$716,631
EPA	\$787,354	\$58,514	\$1,465	\$57,049	\$58,514	\$3,350	\$55,164
DOD (2)	\$717,659	\$163,856	\$611,226	\$0	\$97,232	\$112,223	\$0
AID	\$635,688	\$729	\$118	\$611	\$711	\$292	\$419
INT	\$476,300	\$37,100	\$12,401	\$24,699	\$37,100	\$34,690	\$2,410
SSA	\$444,019	\$444,019	\$565,121	\$0	\$444,019	\$0	\$444,019
DOT	\$184,904	\$85,747	\$11,881	\$73,866	\$85,747	\$30,670	\$55,077
OPM	\$90,766	\$25,422	\$6,042	\$19,380	\$25,422	\$9,053	\$16,369
DOC	\$88,918	\$13,975	\$16,413	\$0	\$13,953	\$13,154	\$799
DOL	\$76,401	\$16,881	\$23,194	\$0	\$16,881	\$46,192	\$0
FEMA	\$40,034	\$38,600	\$16,111	\$22,489	\$38,600	\$12,329	\$26,271
DOJ (3)	\$34,667	\$11,231	\$333,408	\$0	\$11,084	\$64	\$11,020
GSA	\$14,986	\$12,718	\$2,038	\$10,680	\$12,718	\$11,059	\$1,659
STATE	\$7,553	\$7,516	\$59	\$7,457	\$7,475	\$1,759	\$5,716
TREASURY	\$4,648	\$3,854	\$2,157	\$1,697	\$2,870	\$3,566	\$0
NASA	\$2,017	\$792	\$206	\$586	\$773	\$505	\$268
NRC	\$1,114	\$654	\$192	\$462	\$654	\$1,582	\$0
NSF	\$377	\$287	\$342	\$0	\$287	\$363	\$0
Total	<u>\$40,207,573</u>	<u>\$21,198,150</u>	<u>\$21,085,342</u>	<u>\$3,519,044</u>	<u>\$5,161,920</u>	<u>\$2,526,981</u>	<u>\$2,871,078</u>

(1) Referrals through 7/31/99

(2) Eligible amounts as of 6/30/99

(3) Justice includes amounts on behalf of other program agencies

(4) Amounts referred may exceed amounts eligible in some instances because eligible amounts are established as of 9/30/98 and debt referrals as of 7/31/99.

Source: FMS Debt Management Services

ABBREVIATIONS

A/R	Accounts Receivable
AID	Agency for International Development
BDMOC	Birmingham Debt Management Operations Center
BOP	Bureau of Prisons
CFS	Consolidated Financial Statement
CPSC	Consumer Product Safety Commission
Customs	United States Customs Service
DCIA	Debt Collection Improvement Act
DO	Treasury's Departmental Offices
DOC	Department of Commerce
DOD	Department of Defense
DOE	Department of Energy
DOJ	Department of Justice
DOL	Department of Labor
DOT	Department of Transportation
ECIE	Executive Council on Integrity and Efficiency
ED	Department of Education
EPA	Environmental Protection Agency
FCC	Federal Communication Commission
FEMA	Federal Emergency Management Agency
FMS	Financial Management Service
FOIA	Freedom of Information Act
GSA	General Services Administration
HHS	Department of Health and Human Services
HUD	Department of Housing and Urban Development
INT	Department of the Interior
ITC	U.S. International Trade Commission
NASA	National Aeronautics and Space Administration
NEA	National Endowment for the Arts
NRC	Nuclear Regulatory Commission
NSF	National Science Foundation
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPM	Office of Personnel Management
PCA	Private Collection Agency
PCIE	President's Council on Integrity and Efficiency
RF	Revolving Fund
RRB	Railroad Retirement Board
S&E	Salary and Expense
SBA	Small Business Administration
Secret Service	United States Secret Service
SSA	Social Security Administration
STATE	Department of State
TOP	Treasury Offset Program
Treasury	Department of the Treasury
TRO	Tax Refund Offset
USDA	United States Department of Agriculture
VA	Department of Veterans Affairs

MAJOR CONTRIBUTORS TO THIS REPORT

Alexander Best Jr., Audit Manager

Beth Serepca, Auditor-in-Charge

Julie Poole, Auditor

Catherine An, Auditor

Dieu Nguyen, Auditor

REPORT DISTRIBUTION

Treasury Departmental Offices

Under Secretary for Domestic Finance
Fiscal Assistant Secretary
Assistant Secretary for Management/Chief Financial Officer
Director, Financial Management/CFO/DO
Director, Office of Organizational Improvement
Director, Office of Strategic Planning
Desk Officer, Office of Accounting and Internal Control

President's Council on Integrity and Efficiency

Gregory H. Friedman, Chair, Audit Committee
Gaston L. Gianni, Jr., Vice Chair, PCIE

Executive Council on Integrity and Efficiency

Thomas D. Blair, Vice Chair

House Committee on Government Reform and Oversight Subcommittee on Government Management, Information and Technology

Randall J. Kaplan

Office of Management and Budget

Tom Stack, Chief, Credit and Cash Management Branch
Esther Rosenbaum, OIG Budget Examiner

Participating Offices of Inspector General

Financial Management Service

Commissioner
Assistant Commissioner, Debt Management Services

PARTICIPATING OIG REPORTS
