



19th

Annual Government Financial Management Conference

**Update on Debt Collection
Financial Management Service
Debt Management Services
August 5, 2009**

**Scott Spell, Customer Relations Branch
Debt Management Operations Center**

**Ann Pavelek, Financial Program Specialist
Private Collection Division**

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Debt Program Division**



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Debt Collection

Cross Servicing Program

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Debt Program Division



About
**Debt Management Services
(DMS)**



Debt Management Services

- To improve the quality of the federal government's financial management by increasing the collection of delinquent debt owed to the government, by providing debt management services to all federal agencies, and by protecting the financial interests of the American taxpayer. DMS also develops and implements government-wide debt management policies.

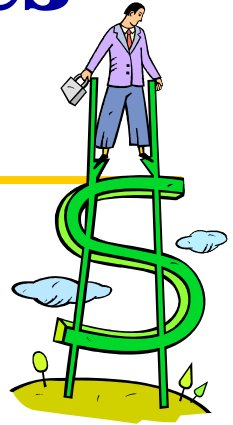


Debt Management Organizational Structure

- Assistant Commissioner
 - Accounting and Agency Services Division
 - Debt Program Division
 - Private Collection Division
 - Business Management Staff
 - Debt Management Operations Center



Debt Management Services Highlights



- As of June 30, 2009:
 - surpassed FY 2009 debt collection goal of \$3.9 billion. Total collections were \$4.8 billion
 - collected over \$42 billion in delinquent debt, through the Treasury Offset and Cross-Servicing Programs, for the period FY 1999 through 3rd quarter FY 2009
- Collections through TOP and Cross-Servicing programs averaged over \$3.0 billion during the last 4 fiscal years

Selected Topics

Cross-Servicing Program

Private Collection Agencies

Treasury Offset Program





Cross-Servicing

Scott Spell

**Manager, Customer Relations Branch
Debt Management Operations Center**



Cross-Servicing Program

GOALS:

- ✓ Collect Debt;
- ✓ Resolve Debt;
- ✓ Remove Debt from the Government's Receivables;
- ✓ Centralize Government Debt Collection.



How Agencies Participate

- Letter of Agreement between DMS and Creditor Agency
- Creditor Agencies must certify that:
 - debts are valid and legally enforceable in order to refer
 - due process has been completed
- Creditor Agency ceases all collection activity and contact with debtors
- Creditor Agencies submit debts via batch processing or manually enter debts on-line using debt management tool



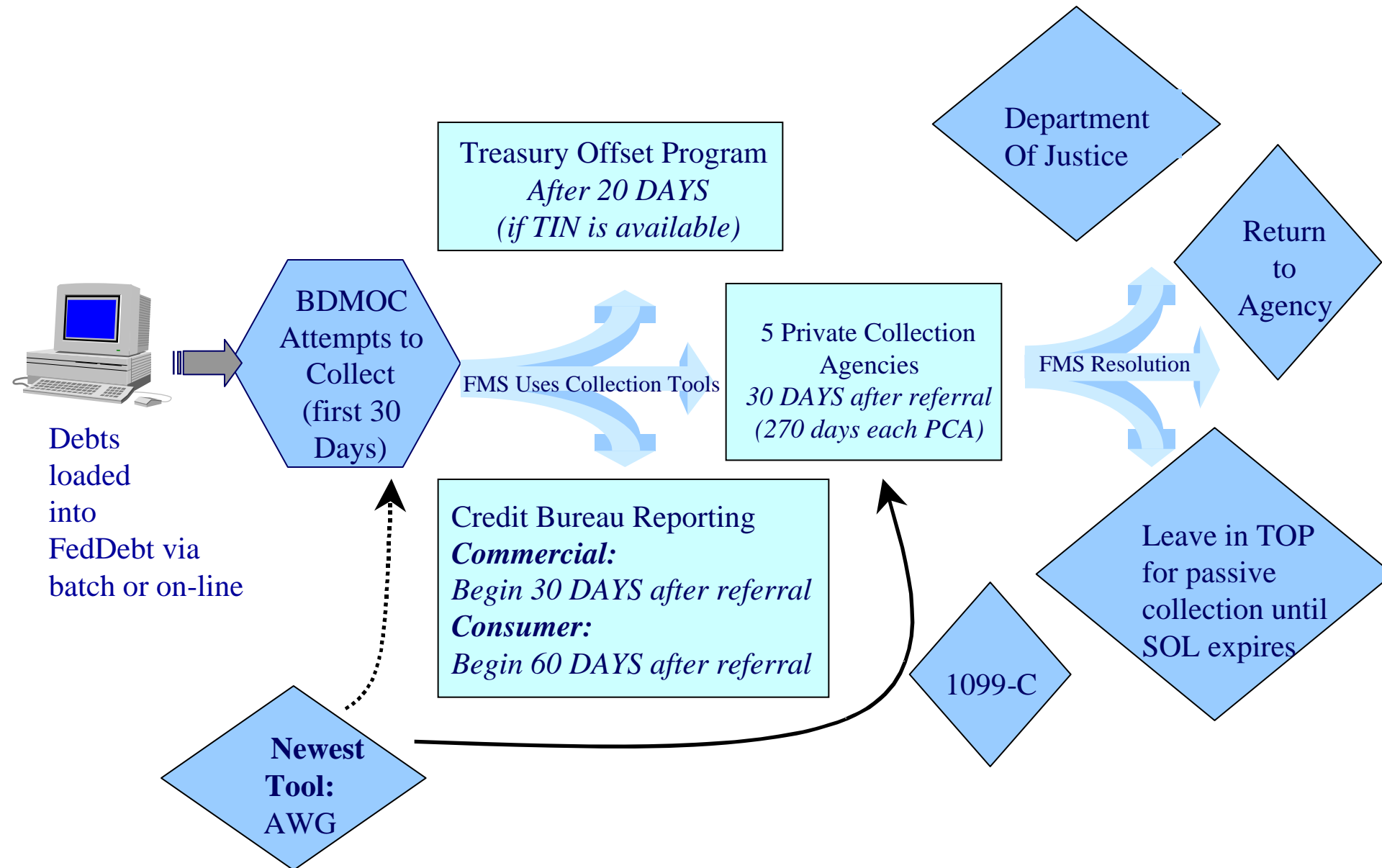
Cross-Servicing Collection Tools

- Demand letters & Phone Calls
- Payment Agreement Options
- Credit Bureau Reporting
- Treasury Offset Program
- Administrative Wage Garnishment
- Private Collection Agencies
- Litigation by Department of Justice
- IRS Form 1099-C after Closeout





Collection Process Overview





System Framework

FedDebt is a debt & debtor based system which allows:

- Joint & several debts
- A demand letter to be sent to each debtor
- Users can update debt and/or debtor information
- Multiple Payment Agreements possible for a debt
- Removal of a debtor from the debt without closing the entire debt
- Creditor agencies to view debt information
- Creditor agencies to enter financial transactions



Cross-Servicing Debt Referrals

Amt. Eligible to Refer*	\$12,041,447,906
Amt. Referred**	\$11,301,354,975

*Amounts eligible to refer to Cross-Servicing are from the Treasury Report on Receivables (TROR) for the second quarter of FY 2009. These debts are post-180 days debts.

**The referred amounts include both pre and post 180 days debts.



FY Collections Through Cross-Servicing June 2008 – May 2009

- **Debt Management Services \$45,392,955 million**
 - **Private Collection Agencies \$84,504,556 million**
 - **Treasury Offset Program \$113,469,709 million**
 - **Creditor Agencies \$38,881,610 million**
- TOTAL \$282,248,830 million**



As of July 2009

Active Repayment Agreements

- **Debt Management Services**

Repayment Agreements 3,869

Approximate Value \$25 million

- **Private Collection Agencies**

Repayment Agreements 4,042

Approximate Value \$48.9 million



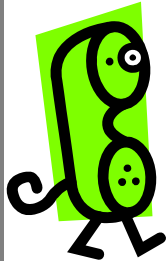
Cross-Servicing

Points of Contact

Creditor Agency Toll Free Number

(800) 858-0725

- **Creditor agency liaisons**
- **FedDebt system access**
- **FedDebt creditor agency reports**
- **Debt referrals**
- **IPAC detail reports**
- **Creditor agency FedDebt file transmissions**
- **Creditor agency collection files**
- **Consolidated debt recalls or holds due to acts of congress or nature**



Scott Spell, Manager, Customer Relations Branch (205) 912-6406

Sally Tidwell, Manager, Debt Resolution Branch (205) 912-6301

Shirley W. Jefferson, Manager, Conferences & Agency Education (202) 874-7399

Terrence Prince, Manager, Treasury Report on Receivables (202) 874-9051

Debbie Davenport, Administrative Wage Garnishment (202) 874-6653





Private Collection Division

**Ann Pavelek, Financial Program Specialist
Private Collection Division**



Private Collection Agencies (PCAs)

Debts are Generally Sent to PCAs 30 Days after Referral to FMS. PCAs are Expected to Perform Nationwide Debt Collection, Including:



- Consumer and Commercial Debt;
- Different Types of Debts (Fines, Fees, Overpayments, Medical, Loans, etc.);
- Varied Ages;
- Varied Values (\$100 to millions).

PCA Contract

- **Contract Goals**

- Collect debt
- Resolve debt
- Competitive environment

- **Performanced based contract**

- More collections = more money and more accounts (\$ wise) in next performance period for PCA
- More administrative resolutions = more bonus money



Basic Contract Requirements

Collection Process:

- Pre-Approved Collection Letters;
- Perform Skip-Tracing;
- Receive and Process Debtor Disputes;
- Payment Agreements;
- Administrative Wage Garnishment;
- Administrative Resolution (Death, Bankruptcy, Disability with Inability to Pay, or Entity out of Business).

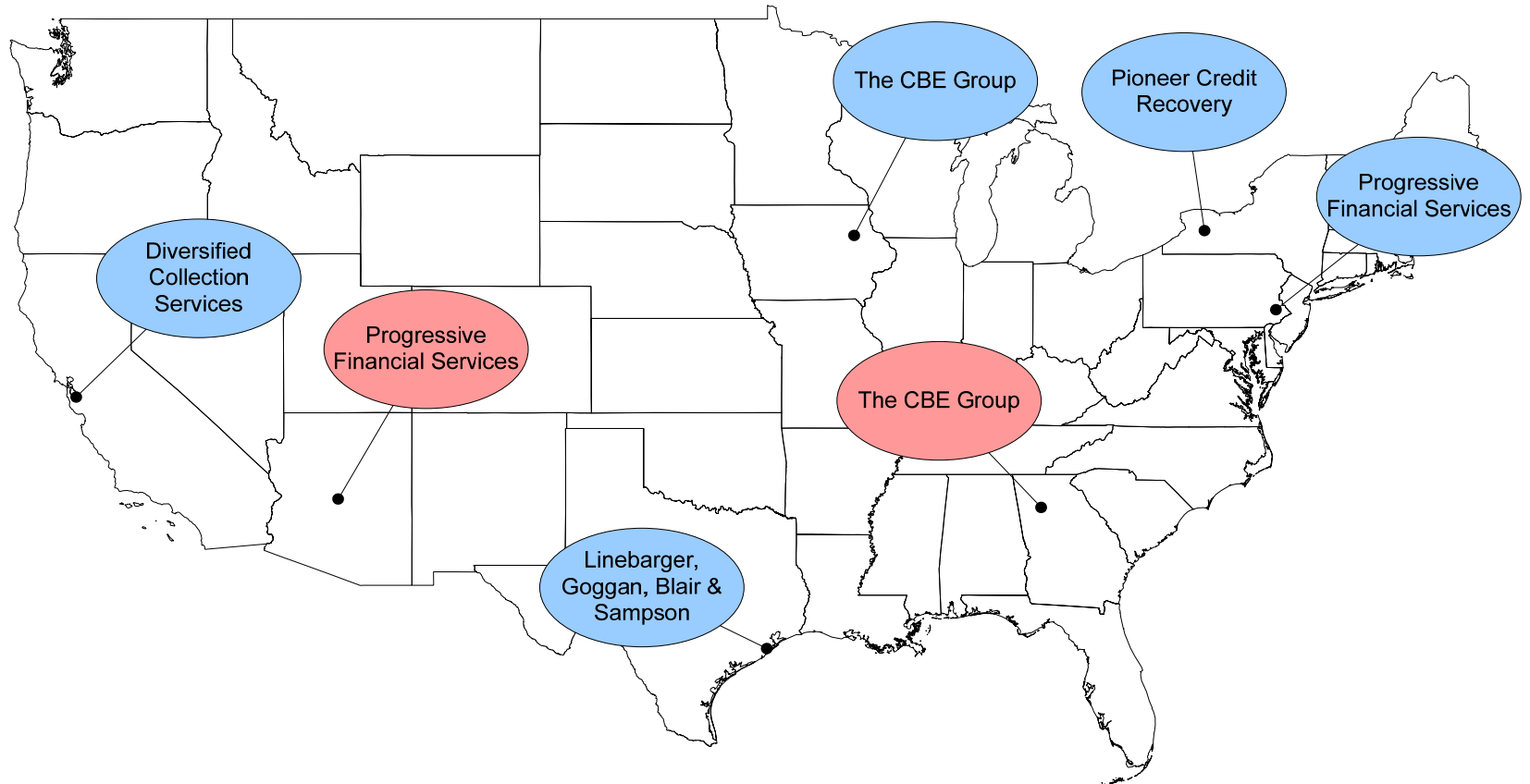


Current PCA Contract

- Awarded 3rd PCA contract in March 2007
- 3 Incumbent contractors, 2 New
- In Fiscal Year 2009, as of June 30, 2009, the PCAs have:
 - Collected \$114.5 Million
 - Administratively resolved nearly \$406 Million
- Over the life of the project, PCAs have collected over \$672 million and resolved over \$2.5 billion



2007 to 2012 Contract – Contractor Locations



Administrative Wage Garnishment (AWG)

- As Authorized by the Debt Collection Improvement Act of 1996, AWG Allows Federal Agencies to Garnish up to 15% of the Disposable Pay of Debtors who do not Work for the Federal Government, Without a Court Order.
- Agencies Need to Publish Regulations and Establish Hearing Procedures to Participate.
- Agency May Choose to Adopt Treasury Regulations.
- Legislation has Passed Allowing FMS Access to the National Directory of New Hires.



AWG Program

23 Agencies Currently Authorize AWG

-
- Since June 2008, two agencies have authorized AWG
 - Central Intelligence Agency
 - Homeland Security
 - Expanded use of AWG, within DMS's collection system, to allow AWG on commercial debts with individual liability
 - FY 08 AWG Collections = \$5.97 M
 - FY 09 AWG Collections = \$4.96 M (through June 30)
 - AWG Lead for helping agencies implement and authorize AWG: Debbie Davenport, 202-874-6653

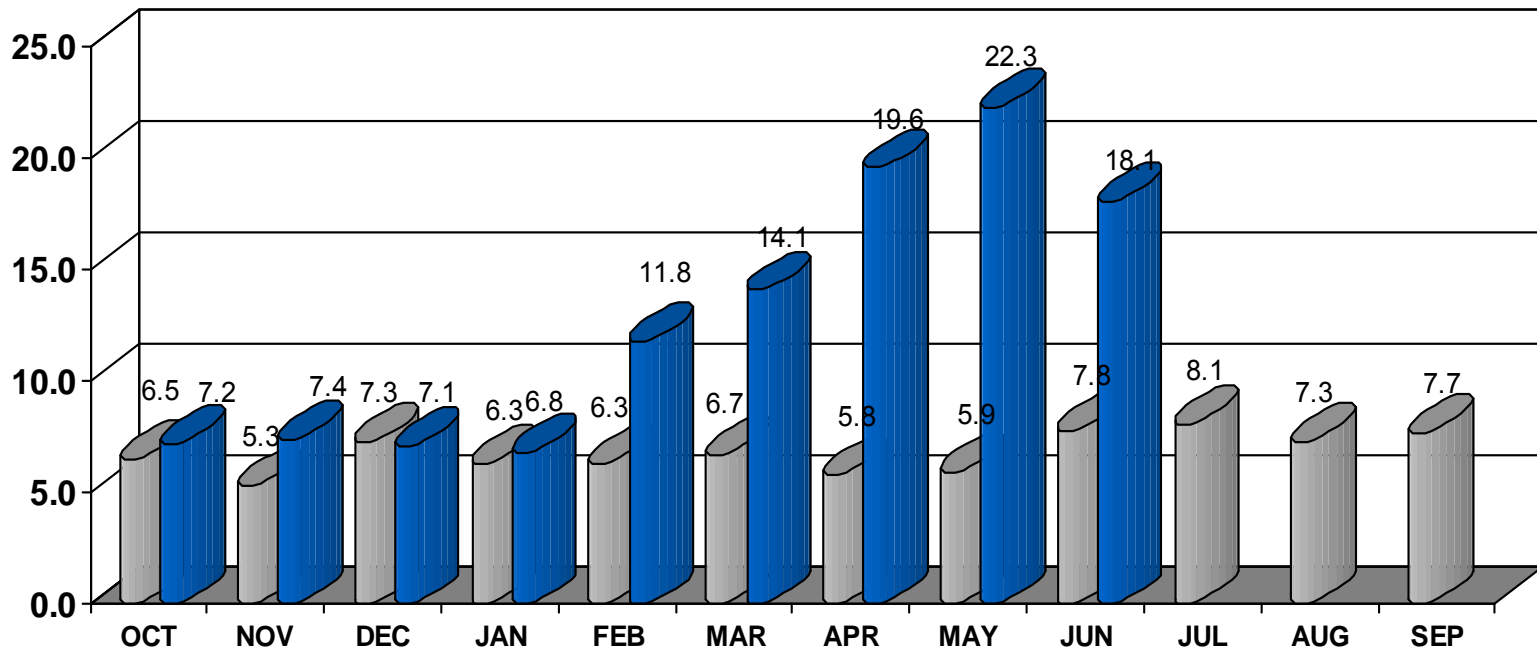


PRIVATE COLLECTION AGENCY COLLECTIONS

FISCAL YEAR 2008 & 2009

As of June 30, 2009

MILLIONS



FY 2008 - Total Collections = \$81.3M

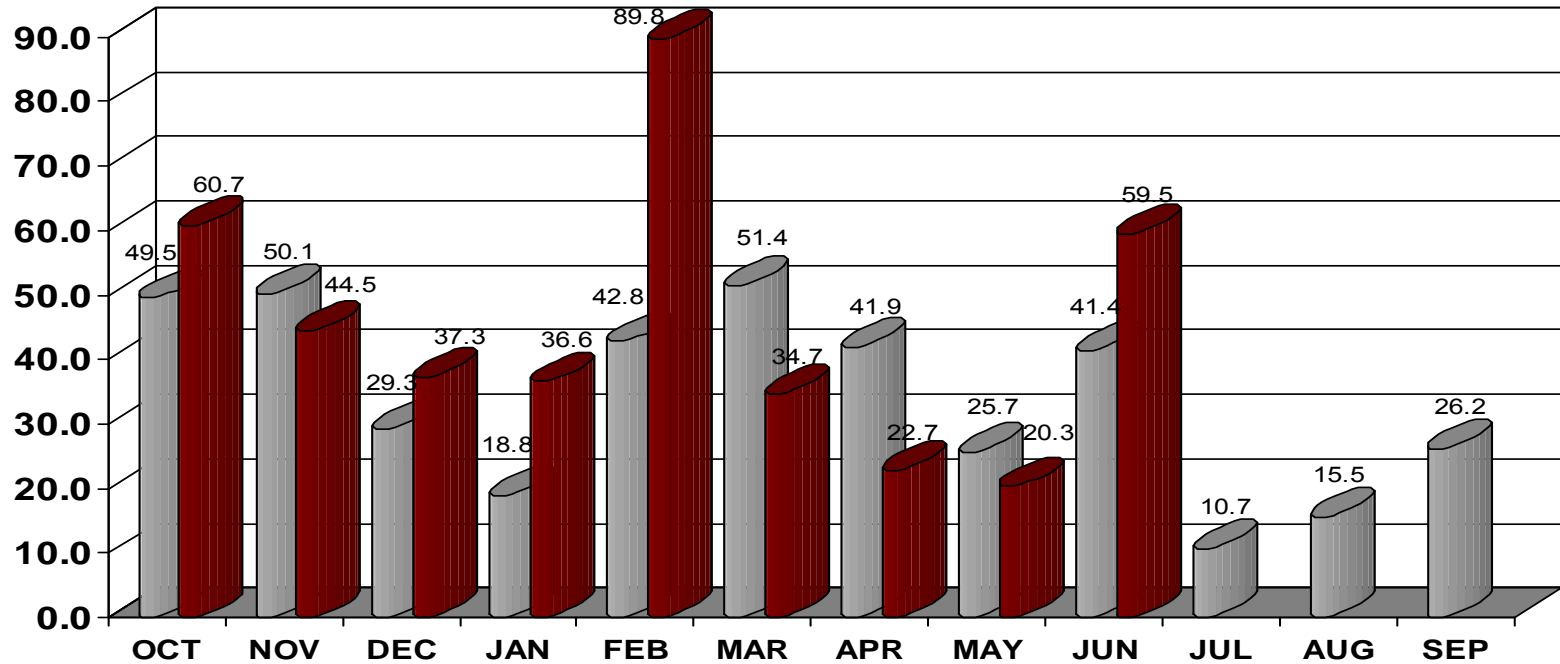
FY 2009 - Total Collection through June 30 = \$114.5M



PRIVATE COLLECTION AGENCY ADMINISTRATIVE DEBT RESOLUTION FY 08 & 09

As of June 30, 2009

MILLIONS



FY 2008 - Total Resolved - \$403.3 M

FY 2009 - Total Resolved through April 30 - \$406.1 M



Private Collection Division

Points of Contact

Rick Burnham, Division Director
Private Collection Division
(202) 874-8700

Anita Triantafilledes, COTR
Private Collection Division
(202) 874-7208

Ann Pavelek, Financial Program Specialist
Private Collection Division
(724) 794-1337





Treasury Offset Program

Katrina Gonzalez
IT Specialist
Debt Program Division



What is the Treasury Offset Program?

TOP is a centralized offset process that intercepts Federal payments of payees who owe delinquent debts to agencies that have submitted debt information to FMS.

Offset is withholding funds payable by the United States to a person to satisfy a debt owed to the United States or to a state.



Centralized offset is the offset of payments disbursed by FMS and other Federal disbursing agencies through the TOP.

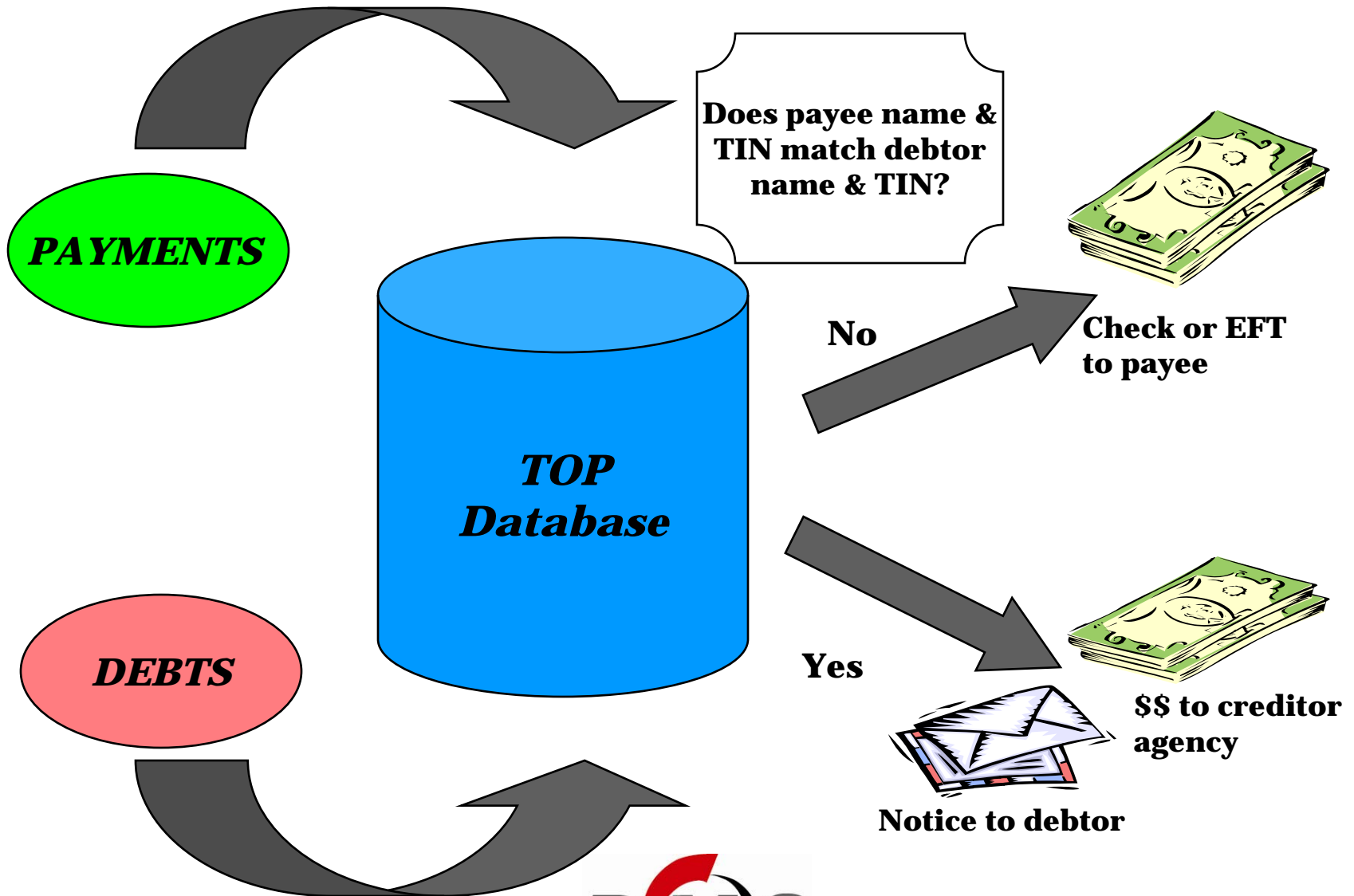


What is the Treasury Offset Program?

- TOP is one of the largest and most effective tools in collecting delinquent debts for Federal and state agencies:
 - Debts owed to the United States (tax & non-tax);
 - Child support obligations enforced by state agencies; and
 - State income tax debts.
- Collections total over ***\$3 billion*** per year.



TOP Process



Centralized Salary Offset

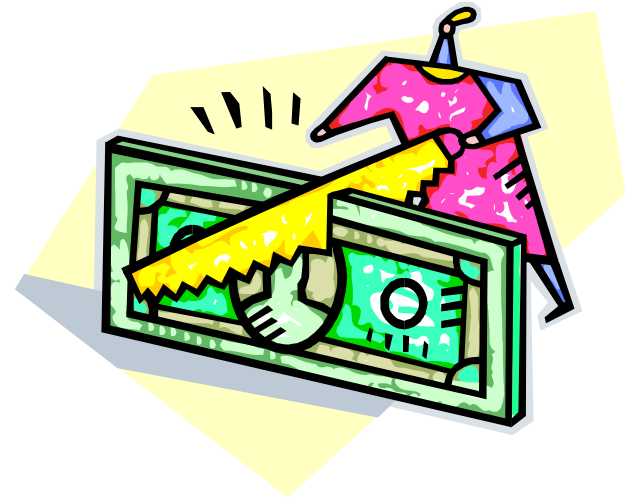
Participating Salary Paying Agencies:

- ✓ **Interior**
- ✓ **National Finance Center**
- ✓ **DoD-DFAS**
- ✓ **U.S. Postal Service**
- ✓ **GSA**



NTDO Vendor Payments

- **Implemented with the following:**
 - DoD
 - State of Maryland
 - State of New Jersey
 - Army Corps of Engineers
 - US Postal Service
 - CMS (Levy)
- **Not a real time process**
- **Potential to over collect the debt**
- **CMS will start in October 2009 for Offset**



As of June 30, 2009 TOP Database Contains:

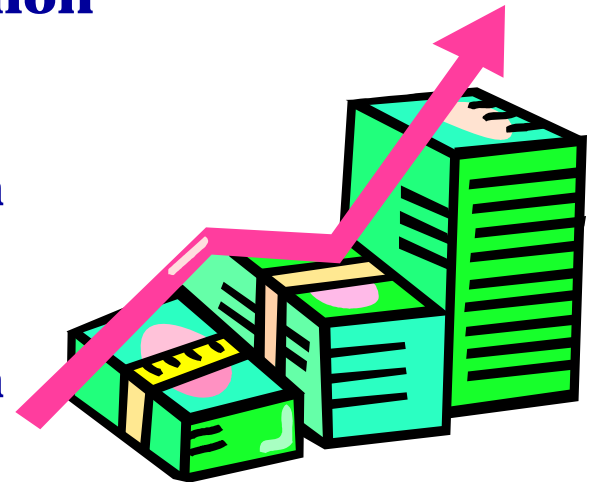
- **\$47.9 billion in Federal Non-Tax Debts.**
- **\$98 billion in Child Support Debts.**
- **\$161.1 billion in Federal Tax Debts.**
- **\$9.4 billion in State Income Tax Debts.**
- **Total - \$316.4 billion!**



FY Collections Through TOP

As of July 9, 2009

- **Administrative Offsets** **\$194.9 million**
- **Tax Refund Offset**
 Child Support **\$1.9 billion**
- **Tax Refund Offset**
 Federal Non-Tax Debt **\$1.4 billion**
- **Tax Refund Offset**
 State Income Tax Debt **\$273 million**
- **Tax Levy** **\$322 million**

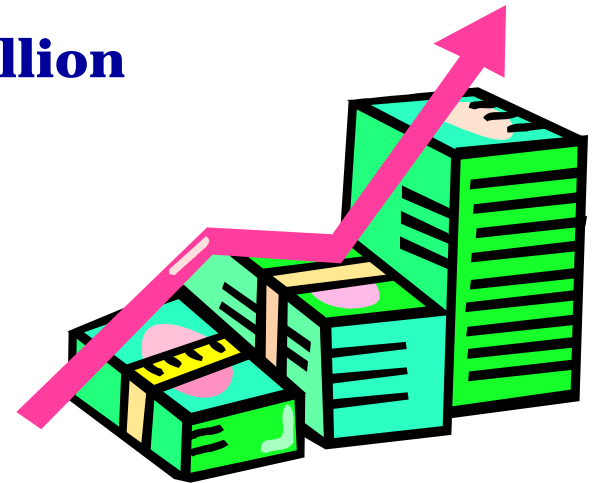


FY Collections Through TOP

As of July 9, 2009

Stimulus

- **Child Support** **\$800 million**
- **Federal Non-Tax Debt** **\$545 million**
- **State Income Tax Debt** **\$ 84 million**

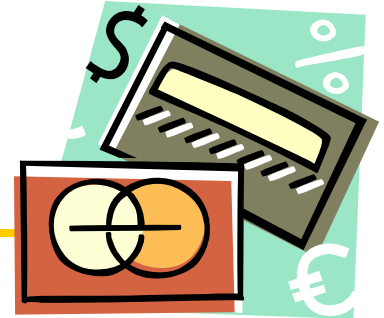


State Reciprocal Program

- States refer debts to TOP for offset against Federal vendor payments and State payments will be matched against Federal debts.
- Pilot was successful
- Began full rollout in January 2009



Purchase Card



Match CCR data against delinquent debts in TOP

Provide results to CCR

Establish indicator on CCR database to identify vendors that are ineligible for purchase card payments

Agencies required to use payment methods that go through the Treasury Offset Program allowing offset/levy

Changes to the Federal Acquisition Regulations (FAR) were published.

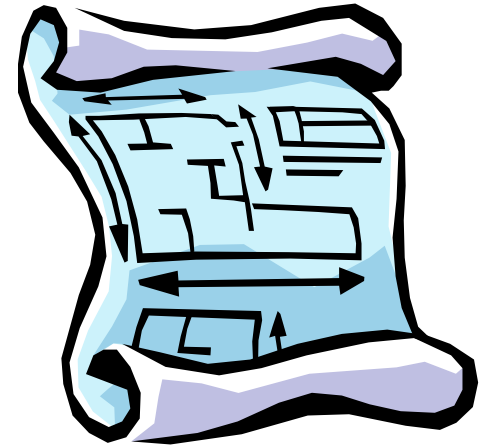
New TOP Web Client

- Web-based Client was implemented September 2008
- Agencies access system through the internet
- PKI Level 3 Application
- New Standardized User ID
- Two Factor Authentication
 - SecurID Card
 - Password



Legislative Changes

- Removal of 10 Year Statute of Limitations on Offset of Non-Tax Debts.
- Allow the Offset of Medicare Payments.





Purpose:

- **To Assist Agencies in Collecting Delinquent, Non-Tax Debt by Providing Information to Agencies and Lenders on Whether Individuals and Businesses Applying for Federal Loans, Loan Insurance, and Loan Guarantees have a Debt with the Federal Government (U.S.C. § 3720B and 31 C.F.R. §285.13).**
- **To Provide an Online Resource on Delinquent Debtors for Federal Agencies for Purposes of Carrying Out the Law.**



Questions?

