



OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

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OIG-CA-20-018

MEMORANDUM FOR TIMOTHY E. GRIBBEN
COMMISSIONER
BUREAU OF THE FISCAL SERVICE

FROM: Deborah L. Harker /s/
Assistant Inspector General for Audit

SUBJECT: Termination Memorandum - Audit of the Bureau of the Fiscal Service's Administration of Delinquent Debt Referrals (Job # A-FI-15-004)

In October 2014, we initiated an audit of the Bureau of the Fiscal Service's (Fiscal Service) administration of delinquent debt referrals. The objectives of our audit were to (1) assess the extent to which Federal agencies refer delinquent, nontax debt to Fiscal Service; (2) determine the controls Fiscal Service has in place to facilitate the timely referral of Federal agencies' nontax debt; and (3) assess the impact of any referral delays on the collectability of delinquent debt.

Background

There are two provisions requiring Federal agencies to submit debts to Fiscal Service for collection. Under the Debt Collection Improvement Act of 1996 (DCIA),¹ Federal agencies refer all debts, owed to the government and delinquent² over 180 days, to Fiscal Service for administrative offset.³ The DCIA centralizes Government-wide debt collection and debt management operations within the Department of the Treasury (Treasury). The DCIA requires, in part, Treasury to (1) pursue delinquent debts that are not actively being collected by

¹ Public Law 104-134 (April 26, 1996)

² A debt is delinquent if it has not been paid by the payment due date or by the end of any grace period contractually provided.

³ Offsets are actions to withhold funds payable by the Federal government to a person or entity to satisfy a debt owed to the Federal government. Offsets may occur against tax refund payments, salary payments, civilian retirement pay, contractor payments, grant payments, tax overpayments, benefit payments, travel reimbursements and other Federal and state payments.

Federal creditor agencies,⁴ through a program known as Cross-Servicing;⁵ (2) establish a centralized offset process through a program known as the Treasury Offset Program; and (3) manage a Government-wide, performance-based, private collection agency (PCA) contract for referral of delinquent debts for collection.⁶ Additionally, the Digital Accountability and Transparency Act of 2014 (DATA Act)⁷ amended the DCIA by requiring Fiscal Service to report to Congress any Federal agency that fails to refer eligible⁸, nontax debt over 120 days delinquent to Treasury for administrative offset. While the DATA Act amended the referral requirement for administrative offset to eligible, nontax debts over 120 days delinquent, the requirement for referring eligible, nontax debts to Fiscal Service for cross-servicing remained 180 days. Thus, eligible, nontax debts over 120 days but less than 180 days delinquent, are not required to be referred for cross-servicing. Debts that are with a private collection agency or a Federal agency that is a debt collection center, are exempt from cross-servicing. However, eligible, nontax debts over 120 days but less than 180 days delinquent can be referred for administrative offset if the debts are exempt from cross-servicing. Regardless, at 180 days these exempt debts must be referred to Fiscal Service for administrative offset.

Audit Work Performed

During our fieldwork, we found that Fiscal Service had not reported to Congress any instance in which an agency failed to refer eligible, nontax debt more than 120 days delinquent to Treasury for the purposes of administrative offset in accordance with the DATA Act. When we inquired as to why there had been no reporting, a Fiscal Service official informed us that required policy updates and modifications to the Treasury Report on Receivables⁹ (TROR) were needed. These updates and modifications were started during fiscal year (FY) 2014, in response to the DATA Act, and were completed during FY 2015. The official stated that the revised TROR, which would show Federal agencies' compliance with the debt referral requirement of the DATA Act, was disseminated to Federal agencies during

⁴ A creditor agency is a Federal agency that is owed a debt.

⁵ Cross-servicing is a transfer of debts from a Federal agency to Fiscal Service for collection.

⁶ Prior to referring delinquent debt to Fiscal Service, an agency may use PCAs to collect debts owed from its debtors. Fiscal Service maintains a list of eligible PCAs. In order to minimize the government's collections costs and avoid duplication of efforts, an agency should, whenever possible, refer debts to Fiscal Service for cross-servicing.

⁷ Public Law 113-101 (May 9, 2014).

⁸ Debts are eligible for referral if they are past due, legally enforceable, owed by an individual or entity other than a Federal agency, and valued at \$25 or more.

⁹ The TROR is a web-based application that allows Federal agencies to provide Fiscal Service data on their nontax receivables and delinquent debts. The TROR also serves as a management report which highlights the amount of the debts held by Federal agencies and actions taken to enforce collection of its receivables.

FY 2016. The official stated that a report would be provided to Congress during FY 2017. Subsequent to fieldwork, in June 2017, Fiscal Service submitted information on Federal delinquent debt referrals in its *Report to the Congress on U.S. Government Receivables and Debt Collection Activities of Federal Agencies*. Fiscal Service also included this information on Treasury's transparency website.¹⁰ This website is part of the Federal government's initiative to create more transparency and openness in Federal financial data.

We also found that while the TROR categorizes the age of all delinquent debts, it does not collect data on the specific age of each delinquent debt at the time of referral. For example, our review of delinquent debt data reported, showed a debt was approximately 40 years delinquent at the time it was referred to Fiscal Service for cross-servicing. In a Notice of Finding and Recommendation issued to Fiscal Service officials, we recommended that the TROR be modified to add a field for Federal agencies to report the specific age of each delinquent debt at the time of referral and use this information to assist in assessing the (1) timeliness of referrals and (2) impact it has on the collectability of referrals and related outreach activities. A Fiscal Service official stated that the TROR already captures a variety of information about referred debts, including delinquency by age. The official stated that changing the TROR to request additional information would require Fiscal Service and the reporting Federal agencies to make costly system adjustments that may not be beneficial. Additionally, Fiscal Service performs various outreach activities to help Federal agencies timely refer their eligible, delinquent, nontax debts to Treasury to assist in debt referral efforts. We were told that other outreach activities include communication with each Federal agency, quarterly meetings to address outstanding concerns, in-house training to analyze agency-specific debt collection strategies, and annual debt conference symposiums. We agree that changes to the TROR may require costly adjustments for Fiscal Service and reporting agencies. However, we believe the timeliness of referrals and the impact on collectability needs to be assessed by Fiscal Service.

During the course of the audit, our office received a request from Treasury's Office of General Counsel to initiate a review of an anonymous allegation concerning Fiscal Service's Debt Management Service and the Department of Labor Occupational Safety and Health Administration's (OSHA) Office of Financial Management, Division of Debt Collection and Division of Financial Control. We found that Fiscal Service did not perform cross-servicing on multiple debts referred by OSHA due to a software problem with the implementation of Cross-Servicing Next Generation (CS-NG).¹¹ Based on the results of our inquiry, reported to the

¹⁰ <https://transparency.treasury.gov>

¹¹ On October 30, 2017, Fiscal Service launched CS-NG, a customized web-based cross-servicing system.

Secretary of the Treasury in February 2020, we initiated an audit of Fiscal Service's transition from FedDebt¹² to CS-NG and related project management practices.¹³ The objectives of the audit are to assess Fiscal Service's (1) transfer of data from FedDebt to CS-NG; (2) requirements for creditor agencies for submission of data to CS-NG; (3) internal controls over the receipt of data submissions from creditor agencies; and (4) timeliness of delinquent debt referrals and cross-servicing efforts and the impact on the collectability of delinquent debt.

Fiscal Service's efforts to increase transparency into administration of the delinquent debt program include its annual *Report to the Congress on U.S. Government Receivables and Debt Collection Activities of Federal Agencies*, data published on its transparency website, and outreach activities to help Federal agencies timely refer their eligible, delinquent, nontax debts to Treasury. Given these efforts, and the objectives of our new audit which includes assessing the timeliness of referrals and the impact on collectability of delinquent debts, we are terminating Job # A-FI-15-004. As such, please note that *Audit of Delinquent Debt Referrals* engagement will be removed from our Monthly Status Report.

We appreciate the courtesies and assistance provided by your staff. If you have questions, please contact me at (202) 927-5400 or Andrea Smith, Audit Director, at (202) 927-8757.

cc: Mary Kerr, Manager, Finance and Internal Control Division, Bureau of the Fiscal Service
Rodney Dogan, Audit Liaison, Bureau of the Fiscal Service

¹² FedDebt, the predecessor system to CS-NG, was an in-house customized web-based cross-servicing system implemented in 2005 by Fiscal Service's Debt Management Service.

¹³ Engagement Memorandum - *Audit of Fiscal Services Transition from FedDebt to Cross-Servicing – Next Generation* (Job # A-FI-20-007)(January 2020)