Internal Control Assessment
Delinquent Debt Collection Policies

Purpose

To ensure that FSA's internal control policies and standards regarding delinquent debt collection comply with policies established by OMB Circular A-129 and applicable public laws.

Background

The Debt Collection Improvement Act (DCIA) of 1996 requires that all debts owed to FSA which are more than 180 calendar days delinquent must be transferred to Treasury/FMS or a Treasury-designated debt collection center for servicing. Treasury then takes responsibility for issuing demand letters, conducting telephone follow-up, initiating skip tracing, referring debts for administrative offset, performing administrative wage garnishment, and referring debts to private collection agencies on the debt collection contract., FSA is then removed the aforementioned responsibilities. However, FSA retains responsibility for reporting the debts on the Report on Receivables Due from the Public (for direct loans) and the Report on Guaranteed Loans (for guaranteed loans). Once debts are transferred to Treasury, FSA must cease all collection activities other than maintaining accounts for the Treasury Offset Program and receivable reporting.

Internal Control Standard

FSA must transfer its debts that are 180 calendar days or more delinquent to Treasury/FMS or Treasury-designated debt collection centers for further collection actions and resolution.

Assessment of FSA's Compliance [*]

We performed a judgmental sample of FSA debts 180 calendar days delinquent for the period of x. X% of the time, FSA has not forwarded past due debts to Treasury,

[*] The actual testing phase including interviews and examination of sampled records has not yet occurred. This write-up is only a sample of what may be discovered during the testing phase of the FMFIA process.

preventing follow up on these receivables. Such practices have resulted in lower collection rates by not taking aggressive collection follow-up on delinquent debts.