

## **Internal Control Assessment Interest Fees and Charges**

### **Purpose**

To ensure that FSA's internal control policies and standards regarding interest fees and administrative charges comply with policies established by OMB Circular A-129.

### **Background**

In accordance with OMB Circular A-129, FSA should assess interest, penalties, and administrative costs to its delinquent debts unless a specific statute, regulation, loan agreement, contract, or court order prohibits such charges. FSA must assess late payment interest on its delinquent debts. A debt is delinquent when the scheduled payment is not paid in full by the payment due date contained in the initial demand letter or by the date specified in the applicable agreement or instrument. Also, FSA must assess a penalty charge of six percent per year for failure to pay a debt more than 90 calendar days past due, unless a statute, regulation required by statute, loan agreement, or contract prohibits charging interest or assessing charges or explicitly fixes the interest rate or charges. For debts involving judgments, FSA must adjust the interest rate on delinquent debt to conform with the rate established by a U.S. Court. Furthermore, FSA must assess administrative costs to cover the cost of processing and handling delinquent debt.

### **Internal Control Standard**

FSA must assess interest, penalties, and administrative charges on its delinquent debts.

**Assessment of FSA's Compliance\***

We held several meetings with FSA staff and determined that interest is not always charged on delinquent debts. Of the XX delinquent debts sampled, XX% had not been charged interest. FSA has also failed to charge delinquent debtors with the administrative charges related to the outstanding debts. Of the XX delinquent debts sampled, XX% had not been charged administrative fees related to the past due debt.

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\* \*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.