



GAO
Accountability Integrity Reliability

Highlights

Highlights of [GAO-04-47](#), a report to the Secretary of the Treasury and the Director of the Office of Management and Budget

Why GAO Did This Study

GAO has previously reviewed facets of Treasury's Financial Management Service's (FMS) cross-servicing efforts. These reviews did not include FMS's handling of nontax debts that were returned to FMS uncollected by its private collection agency (PCA) contractors because FMS officials did not consider the cross-servicing program to be fully mature. During fiscal years 2000, 2001, and 2002, FMS's PCA contractors returned about \$3.9 billion of uncollected debts to FMS. This report focuses primarily on (1) actions taken by FMS on uncollected nontax debts returned from its PCA contractors and (2) actions taken, if any, by FMS and the Office of Management and Budget (OMB) to ensure that federal agencies are reporting their eligible uncollectible nontax debts to IRS as income to debtors.

What GAO Recommends

GAO recommends that Treasury (1) help ensure that all appropriate collection action is taken on debts returned from PCA contractors, (2) increase opportunities for collection, and (3) help maximize the soundness of FMS's cross-servicing program. GAO also recommends that OMB take steps to improve agencies' compliance with standards and policies for writing off and closing out debts. Treasury concurred with most of GAO's findings but raised a number of points about certain of the recommendations. OMB agreed with the thrust of GAO's recommendation.

www.gao.gov/cgi-bin/getrpt?GAO-04-47.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Gary Engel (202) 512-3406 or EngelG@gao.gov.

DEBT COLLECTION

Opportunities Exist For Improving FMS's Cross-Servicing Program

What GAO Found

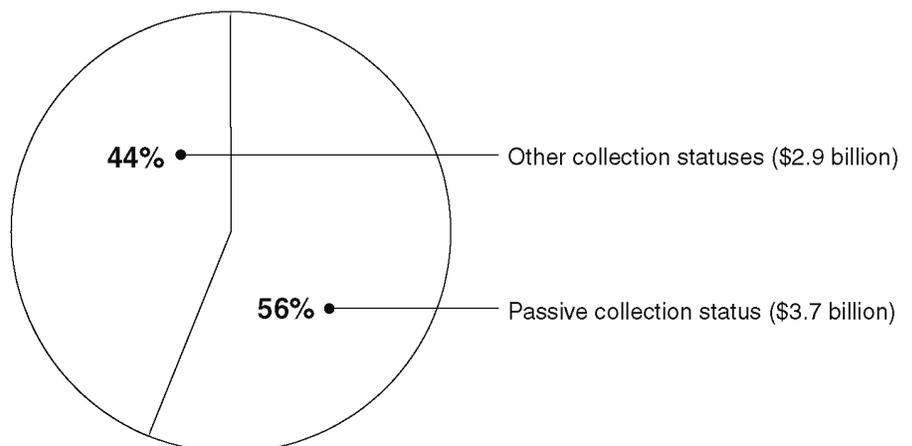
Although FMS has made progress in implementing its cross-servicing program and considers it to be fully mature, opportunities exist to improve the program.

FMS had not reviewed most of the debts returned to it by its PCA contractors to determine whether any opportunities for collection or other recoveries remained, including those possible from reporting closed-out debts to IRS as income to debtors. For example, as shown in the figure below, about \$3.7 billion of the \$6.6 billion of debts that were at FMS for cross-servicing as of February 28, 2003, were being kept in the Treasury Offset Program (TOP) for passive collection after they had been returned uncollected to FMS by PCA contractors. Passive collection entailed no further collection action on the part of FMS other than minimal efforts through offset, and collections on debts in passive collection through offset totaled only about \$9 million through February 28, 2003. Various problems hindered collections through offset, including the fact that many of the debts were beyond the 10-year statutory and regulatory limitations for offset.

GAO's analysis also showed that relatively few debts in cross-servicing were being referred to the Department of Justice for more aggressive enforced collection action. This analysis further showed that FMS continues to have problems with debt compromises and the reporting of a key cross-servicing performance measure.

Finally, neither FMS nor OMB monitored or reported the extent to which federal agencies governmentwide were closing out all eligible uncollectible debts and reporting those amounts to IRS as income to debtors.

Percentage of Cross-Serviced Debts in Passive Collection as of February 28, 2003



Source: GAO.