BUDGET ISSUES

Electronic Processing of Non-IRS Collections Has Increased but Better Understanding of Cost Structure Is Needed

What GAO Found

Over the past 5 years, more than 80 percent of funds collected by agencies other than the Internal Revenue Service (IRS) were collected using fully electronic methods, including wire transfers and credit cards. As shown in the figure below, from fiscal year 2005 through 2009 there was a significant shift from non-electronic collection methods to partly electronic methods. This shift was largely a result of a growth in electronic check-processing capacity.

Moving to electronic collection methods can reduce costs and mitigate risks, such as theft, but the specific circumstances of individual agencies and payer characteristics have affected agencies’ ability to fully adopt these methods. Use of electronic methods can result in cost savings, increased processing speed and accuracy, and improved security of staff and deposits. Specifically, FMS reports that on average the government saves 78 cents for each electronic transaction. Additionally, case-study agencies and payer groups GAO spoke with reported reduced costs when using electronic collection methods. Despite the advantages, payer characteristics, other agency considerations, and set-up costs or required system changes have limited agencies' adoption of electronic collection methods. Also, agencies may not have enough information to make cost-effective decisions about their choice of collection method.

FMS is implementing a plan to improve the efficiency and effectiveness of federal collections, but the plan excludes important cost considerations and does not use all available incentives. Specifically, the plan does not consider the cost differences among different electronic methods or ensure the consistent application of policies on reimbursement for certain services. The FMS plan also does not include a strategy for incorporating key lessons-learned from agency reviews into its guidance and communicating that information to agencies. With such information, agencies not scheduled for review until later years could begin to transition to more efficient methods.

What GAO Recommends

GAO is making recommendations to the Secretary of the Treasury to facilitate transition to more cost-effective collection methods and to the Secretaries of the Interior and Commerce to consider all collection costs, including FMS’s, as available, in managing their programs. All three agencies generally agreed with GAO’s findings and recommendations.