



United States  
General Accounting Office  
Washington, D.C. 20548

Office of the General Counsel

B-224789

October 2, 1986

Dear Mr. [REDACTED]:

We have been asked to review your correspondence to Mr. Mench of our Accounting and Financial Management Division concerning the assessment of interest on duplicate payments to Government contractors.

It appears that you have finally been given an explanation of why your original suggestion could not be further considered. Colonel Telenko's letter of October 16, 1985, was correct in that the 30-day "grace period" on interest assessment is prescribed by statute. The relevant provision is 31 U.S.C. § 3717(d) (enacted as part of the Debt Collection Act of 1982), a copy of which we enclose for your information. Thus, as you now are aware, implementation of your suggestion would require a legislative change.

You ask for guidance as to who in the Congress might be interested in sponsoring legislation to incorporate your suggestion. Bills in the general debt collection area have been introduced in the 99th Congress. We are enclosing copies of two of them, S. 2620 and H.R. 4659. The front page of each bill identifies the sponsors and the committee(s) to which the bill has been referred. Should you wish to write to the committees, the current Chairmen are The Honorable William V. Roth, Jr. (Senate Committee on Governmental Affairs), The Honorable Jack Brooks (House Committee on Government Operations), and the The Honorable Peter W. Rodino, Jr. (House Committee on the Judiciary). Committee assignments may change when the 100th Congress convenes early next year, but letters addressed to the current Chairmen will still get to the right place.

We are providing this information solely to answer your question, and express no position on the desirability of your suggestion. First, while we do not doubt that the 30-day grace period may provide a windfall to some debtors (this is not limited to contractors), this is not always the case. For example, your "Exhibit 7" identifies a duplicate payment

to MTL Systems, Inc. As we read this item, the check which MTL deposited was the first check, to which it was legally entitled. If MTL had deposited the second check (the duplicate payment), it would not have had the "Treasury Check" to return. Thus, applying your characterization, we do not see where MTL got a "free snack," let alone a "free lunch."

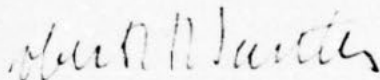
Next, it is important to understand the background of 31 U.S.C. § 3717. Prior to the Debt Collection Act, many Federal agencies charged no interest at all on debts. Thus, the new statute, while not as rigid as it might have been, is nevertheless a distinct improvement over what had previously been the case. The 30-day grace period appears to have been designed at least in part as an incentive for debtors to avoid interest charges by paying promptly.

Any fair evaluation of the desirability of the grace period cannot recognize only the windfall situations. It must also examine the extent to which the statute has been successful in fostering the voluntary payment of debts more promptly. A few months ago, our Accounting and Financial Management Division concluded a study of debt collection and the Comptroller General issued a report entitled "Debt Collection: Billions Are Owed While Collection and Accounting Problems Are Unsolved." We enclose a copy for your information. Because the debt collection area is so large and complex, our evaluators were not able to investigate every corner of the subject. Hence the report does not discuss 31 U.S.C. § 3717. Without the kind of analysis mentioned earlier, we are simply not in a position to judge whether the grace period may have produced benefits which outweigh what you perceive to be the drawbacks.

Finally, keep in mind that the grace period applies only if the debt is repaid within 30 days from the date of notification. If the debt is not repaid within this time period, interest is assessed from the notification date.

In sum, we do not wish to discourage you from attempting to make your case before anyone in the Congress you may choose to contact. Please understand, however, that this letter should not be construed as taking a position one way or the other on the merits of your proposal.

Sincerely yours,



Robert H. Hunter  
Assistant General Counsel

Enclosures