DOCUMENT RESUME

05679 - [B1106072]

[Study of Selected Aspects of FmHA's System for Depositing County Office Loan Collections]. FGMSD-78-32; B-114873. April 18, 1978. 3 pp.

Report to Gordon Cavanaugh, Administrator, Farmers Home Administration; by D. L. Scantlebury, Director, Financial and General Management Studies Div.

Contact: Financial and General Management Studies Div.
Organization Concerned: Department of Agriculture.

A study of the Farmers Home Administration's (FmHA's) system for depositing county office loan collections in the Federal Reserve Bank concentrated on the time required to make deposits and the additional interest cost which the Treasury may incur because of delayed deposits. During fiscal year 1977, county office loan collections totaled over $2.4 billion and averaged almost $9.8 million a day. An average of 8 days was required to deposit loan collections to the Treasury's account at the St. Louis Reserve Bank. Mail time between county offices and the National Finance Office averaged 3 days, and National Finance Office processing time averaged 5 days. If the daily county office loan collections had been deposited more quickly, Government interest costs could have been reduced by about $642,000 for each day that the deposits were accelerated. After the study was completed, FmHA hired additional personnel to process collections at the National Office. Because mail delays are inherent in the current system and workloads are expected to increase, FmHA should examine alternative ways of depositing county office loan collections. Several systems could decrease the time required to deposit county office collections: use of local bank accounts, the Treasury tax and loan system, lock boxes, and electronic funds transfer techniques. A study, including a cost-benefit evaluation, should be made of each system. (RRS)

6072

UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

DIVISION OF FINANCIAL AND
GENERAL MANAGEMENT STUDIES

April 18,1978

B-114873

Mr. Gordon Cavanaugh, Administrator
Farmers Home Administration
Department of Agriculture

Dear Mr. Cavanaugh:

We have completed a study of selected aspects of the Farmers Home Administration's (FmHA's) system for depositing county office loan collections in the Federal Reserve Bank. Our study concentrated on the time required to make deposits and the additional interest cost which the Treasury may incur because of delayed deposits. This report is to inform you of our study results.

During fiscal year 1977 county office loan collections totaled over $2.4 billion and averaged almost $9.8 million a day. Our study showed that an average of 8 days was required to deposit loan collections to the Treasury's account at the St. Louis Federal Reserve Bank. Mail time between the county offices and the National Finance Office averaged 3 days, and National Finance Office processing time averaged 5 days.

Deposit delays, to the extent that they involve additional borrowing by the Department of the Treasury, generate unnecessary interest costs. If the daily county office loan collections had been deposited quicker, we estimate that Government interest costs could have been reduced by about $642,000 for each day that the deposits were accelerated.

After we completed our study, FmHA hired additional personnel to process collections at the National Finance Office. FmHA officials told us that collections are now promptly processed and the only delay in making deposits results from the mailing time between the county offices and the National Finance Office.

FGMSD-78-32
(90119)

FmHA's recognition of the need to reduce deposit delays and its hiring of additional personnel to eliminate processing backlogs at the National Finance Office are a good start. However, more needs to be done. Mail delays are inherent in the current deposit system. In addition, workloads should increase as the loan programs grow and FmHA may not always be able to hire additional personnel to handle the workload. Therefore, FmHA should examine alternative ways of depositing county office loan collections.

Several systems are available which could decrease the time required to deposit county office collections. These include use of local bank accounts, the Treasury tax and loan system, lock boxes, and electronic funds transfer techniques. These alternatives are not all inclusive, but are the solutions with the best potential suggested by various Government and private sector individuals with extensive cash management experience. Each system has advantages and disadvantages, and before any is adopted, a study. including a cost/benefit evaluation, of each system, should be made.

We discussed the results of our FmHA study with Department of the Treasury officials because the Treasury has Government-wide responsibilities for cash management and it incurs additional interest costs when collections are not promptly deposited. The Treasury officials agreed that FmHA's county office loan collections should be more promptly deposited, and they offered to work with your staff to reduce deposit delays.

We briefed members of your staff on the results of our study and suggested that they work with the Treasury to select the best methods of reducing the time required to make deposits. Your staff agreed with the results of our work and to study, with Treasury assistance, the various methods of reducing deposit delays.

Because of FmHA's actions to solve deposit delay problems, we are not making any recommendations at this time. We would, however, appreciate being informed of the progress you make in resolving the county office deposit problems.

We are sending copies of this report to the President's reorganization staff involved in reviewing Federal cash management; the Director, Office of Audits, Department of Agriculture; and the Assistant Commissioner, Banking and Cash Management, Bureau of Government Financial Operations, Department of the Treasury. We appreciate the courtesies and cooperation shown to us by your representatives during this study.

Sincerely yours,

D L Scantlebury

D. L. Scantlebury
Director