

Directive 494.1  
6/8/82

Collecting Debts Due the Federal Government  
and Computing Late Payment Charges on Overdue Accounts

I PURPOSE

This Instruction sets forth procedures for:

- A Collecting debts due the Federal Government including certain types of debts owed by employees.
- B Computing late payment charges on accounts billed and collected in field offices and accounts maintained in Fiscal Operations and Systems Branch, Financial Management (FM) Division.

II AUTHORITY

- A Public Law 89-508, Federal Claims Collection Act of 1966, and the Federal Claims Collection Standards issued jointly by the Comptroller General and the Attorney of the United States (4 CFR Part 101-105) set forth requirements on the collection of debts.
- B Treasury Regulations (Treasury Fiscal Requirements Manual, Volume 1, Part 6, Chapter 8000) require that late payment charges be applied to overdue payments for each 30-day period or less.

III POLICY

Agency billings, manual or automated, shall be issued to cover established billing cycles - not more than monthly, except in cases where it is not cost effective. If the actual value of the goods or services cannot be determined on the day the billing is prepared, and

- A The estimated value is less than \$50,000, the billing shall be accomplished within one workday after the actual value is determined.
- B The estimated value is \$50,000 or more, partial billing, identified as such, shall be accomplished for not less than 75 percent of the estimated value with a statement that the final billing will be completed when the actual value is determined.

Bills shall be dated the date they are forwarded to debtors.

IV DEFINITIONS

- A Billing date is the date the billing is prepared and mailed to the debtor.
- B Billing cycle means the period covered by the billing.
- C Principal amount means the amount due agency, exclusive of interest charges.
- D Delinquent account means a debt owed the agency that is not paid by the specified payment due date. For Divisions serviced by the National Finance Center, (NFC), the due date is the 25th day of the month. The specified payment due date shall not be more than 25 days from the date of the initial notification.
- E Claim means a delinquent account determined to be uncollectible after diligent attempts to collect and/or is 150 days old.
- F Uncollectible debt means an account receivable officially determined to be uncollectible after diligent attempts to collect have been made, and the claim process has been completed and the amount written off.

V NOTIFICATION TO DEBTOR

- A Billings Covered by Contracts, Agreements, or Other Formal Arrangements.

Divisions having contracts, agreements, or other formal arrangements which will result in billings or final settlement, except those prohibited by law, shall revise such documents to include:

- 1 A periodic billing cycle.
- 2 The provision for interest to be applied to the principal amount if the billing is not paid by the specified due date.

- B Billings Not Covered by Contracts, Agreements, or Other Formal Arrangements and Not Billed by NFC. Divisions shall notify, in writing, those applicants not covered by contracts, agreements, or other formal arrangements and who are not billed by NFC of: .

- 1 The basis of indebtedness.
- 2 The payment due date.
- 3 The fact that interest will be applied to the principal amount if the billing is not paid by the specified due date.

VI DETERMINING LATE PAYMENT CHARGES

A Billings performed by NFC. NFC will compute late payment charges and maintain accounts for:

- 1 Federal Grain Inspection Service.
- 2 Dairy Division.
- 3 Meat Quality and Seed of Livestock, Meat, Grain, and Seed Division.
- 4 Portion of Cotton Division.
- 5 Portion of Tobacco Division.

B Late payment charges shall be applied against all previously billed principal amounts that are not fully paid by the specified payment due date (25th day of the month for Divisions serviced by NFC). The actual rate to be applied to past due account is determined quarterly by the Department of Treasury (see Exhibit A, attached). Information on computing late payment charges and a suggested worksheet are shown in Exhibit B, attached.

- 1 For Divisions on a monthly billing cycle, the amount of late payment charges will be 1/12th of one year's charge computed at the prescribed rate.
- 2 For Divisions on a 28-day billing cycle, the amount of late payment charges will be 1/13th of the year's charge computed at the prescribed rate.

C Collections will be applied first to late payment charges and then to the outstanding principal balance.

VII BILLINGS AND COLLECTIONS

A Billing Documents To Be Used. Divisions whose billing are issued by NFC shall use BICO billing documents. Divisions who do their own billing shall use the billing documents specified in their Instructions. Billing documents must include the following:

Chart for late payment charges is not available.  
Please refer to the printed version.

Page 3

(VII)

B Collection Efforts To Be Made by Divisions Who Perform Their Own Billing and by Fiscal Operations and Systems Branch, FM Division. Division Directors shall take aggressive action, on a timely basis with effective followup, to collect debts owed the Agency for services performed by the Division. The Division shall make three progressively stronger written demands for payment, at not more than 30-day intervals, unless response to the first or second demands indicates that any additional demands would be futile.

- 1 The first request - after 30 days, is the first billing issued which includes late-payment charges for the delinquent account. This will automatically occur on the next billing cycle (28th or 30th day) after the first bill. Include this statement on the bill: "Your account is past due - a late penalty has been applied - to avoid further penalty, the total amount due must be paid by the due date."
- 2 The second request - after 60 days, shall contain the following statement on the billing or on a sheet conspicuously attached to the billing:  
  
"A portion of your account has reached a delinquency of more than 30 days. Late payment charges are being accumulated on this delinquent amount monthly. Therefore, if any reason exists why this amount should not be considered delinquent, we must be notified immediately. Continued delinquency could result in loss of service."  
  
3 The third request - after 90 days, shall consist of a review of the account and a consideration of one of the following:
  - a The total amount owed the Agency by the debtor is less

than \$10, and it is doubtful that the debtor will incur any further obligation to the Agency.

b The debtor has agreed to make full payment within a reasonable period of time.

c The response from the debtor to the first delinquent notice indicated that further demand would be futile and/or that prompt legal action may be necessary to effect collection.

If the account does not meet any of the criteria in Items a, b, or c, above, the following statement shall appear on the billing or on a sheet conspicuously attached to the billing:

"According to U.S. Treasury guidelines, a billing is delinquent if not paid by the due date. A portion of the account has become delinquent more than 60 days. Therefore, this account is being considered for termination of service."

C Billings and Collections Performed by NFC. When billings and collections are performed by NFC, the NFC will send debtors up to three delinquent notices when accounts become past due. NFC will provide only required billings to debtors. No direct contact will be made by NFC with delinquent debtors. Those Divisions serviced by NFC shall monitor the NFC billings sent to debtors, and shall followup with delinquent debtors to expedite payment.

D Personal Interviews With Debtors. Divisions shall undertake personal interviews with debtors, when feasible, considering the amount of the billing involved and the proximity of the Division's representatives to the debtor.

E Utilizing Administrative Collection Action. Divisions shall utilize any other administrative action deemed feasible to collect delinquent accounts.

#### VIII DOCUMENTATION

Divisions shall:

A Document administrative collection action taken and retain the documentation in appropriate files.

B Maintain a detailed record of the basis for termination of collection action.

C Place account in claims status if debt is not paid by the 150th day (see Section IX).

#### IX CLAIMS

A NFC will process all claims on delinquent accounts. A delinquent account is considered a claim if:

- 1 Payment is not received within 150 days of the initial billing; or
- 2 Responses to demand letters or personal contact indicated that further demand would be futile, and debtor's response does not require rebuttal; or
- 3 Notice is received that the debtor is in bankruptcy.

B Divisions shall:

- 1 Transfer to NFC the files of debtors identified as claims. Send files to P.O. Box 60000, New Orleans, LA 70160, Attention: Chief, Billings and Collections Branch.

Send files with copies of the following:

- a Each unpaid bill with supporting documents.
  - b All correspondence and memorandums of telephone conversations to and from the debtor relating to the debt.
  - c The late payment charges computation worksheet.
  - d Any other information about the financial status of the debtor that may have been obtained from telephone or personal contacts.
- 2 Withdraw future service to debtors in claim status, unless prohibited by law or other regulation. (NFC becomes officially responsible for collection efforts at this point.) NFC will mail a special claim letter

to the debtor. If the debtor continues to withhold payment, NFC will notify the Agency of the action to be taken to write off the uncollectible debt, and refer the uncollectible debt to GAO or U.S. Attorney's office for litigation.

X ACTION TO BE TAKEN TO PREVENT FURTHER DELINQUENCIES AND DEFAULTS

Divisions shall establish necessary procedures to identify causes of delinquencies and defaults, and to prescribe corrective action needed.

XI EMPLOYEE DEBTS

Employee debts shall be collected as follows:

A Overpayment of Pay. Procedures on the collection of debts for salary overpayments are contained in AMS/FGIS Instruction 491-3, Reporting and Collecting Amounts Owed the Government by Employees Due to Salary Overpayments, and AMS/FGIS Instruction 491-2, Waiver of Claims for Erroneous Overpayment of Pay or Allowance. Bargaining unit employees shall be governed by the aforementioned instructions and applicable negotiated agreements pertaining to such employees regarding overpayments of pay.

B Other Employee Indebtedness.

1 Deductions From Salary.

a With Consent of Employee. If the employee consents, the debt will be collected by deduction from current salary payment, or if the amount is substantial, the debt will be collected over several pay periods in accordance with a repayment agreement executed by the employee.

b Without Consent of Employee. Deductions may be made without the consent of the employee to collect funds advanced for travel delinquent Federal income taxes, erroneous payments received other than salary, or garnishment for child support and/or alimony, for which the employee is indebted.

c At Time of Separation. If the employee is indebted at the time of separation, the amount will be deducted from his/her final salary or lump-sum payment.

2 Collection After Separation. If the full amount of the debt cannot be collected from the final salary or lump-sum payment, NFC will undertake collection as follows:

a Contact the former employee and request payment, or

b Arrange with the office of Personnel Management to flag the employee's retirement record if collection cannot be made by direct contact with the former employee, or

c Report the debt to GAO for collection action if collection cannot be effected through retirement payments due.

Irving W. Thomas  
Deputy Administrator, Management

Attachments

AMS Instruction 494-1  
Rev. 2  
EXHIBIT A

6-20-85

TREASURY FISCAL REQUIREMENTS MANUAL FOR  
GUIDANCE OF DEPARTMENTS AND AGENCIES

BULLETIN NO. 85-11

RETENTION: September 30, 1985

TO HEADS OF GOVERNMENT DEPARTMENTS, AGENCIES AND OTHERS CONCERNED:

1. PURPOSE

This bulletin notifies agencies of the percentage rate based on the current value of funds to Treasury to be used (1) in assessing interest charges for outstanding debts on claims owed the Government under I TFM 6-8020.20 "Charges for Late Payments" and the Debt Collection Act of 1982 (Pub. L. 97-365); and (2) as a comparison point in evaluating the cost-effectiveness of a cash discount under I TFM 6-8040.30 "Cash Discounts."

2. RESCISSION

This bulletin rescinds TFM Bulletin No. 85-05 (T/L 460).

3. RATE FOR CHARGES ON LATE PAYMENTS AND COMPARISON POINT FOR CASH DISCOUNTS

The percentage rate to be applied during the period July 1 through September 30, 1985, is 9.00 percent.

This annual percentage rate based on the current value of funds to Treasury will be transmitted in a TFM bulletin each calendar quarter for application to overdue payments and determination of the cost-effectiveness of cash discounts during the succeeding calendar quarter.

4. EFFECTIVE DATE

July 1, 1985.

5. INQUIRIES

Any questions concerning this bulletin should be directed to the Cash Management Division, Financial Management Service, Department of the Treasury, Treasury Annex No. 1, PB-711, Washington, DC 20226 (Telephone 202-634-5131).

William E. Douglas  
Commissioner

Date: May 15, 1985

AMS/FGIS INSTRUCTION 494-1  
Rev. 2  
EXHIBIT B

Computing Late Payment Charges

The annual interest rate to be applied to past due accounts is established by the Department of Treasury. The interest rate to be applied is the rate in effect on the due date of the bill.

- 1 For billings issued on an established cycle (i.e., monthly or every 28 days), the interest rate (to four decimal places) must be converted to the billing cycle rate. For example:

Monthly: Annual Interest Rate 12 = Monthly Interest Rate  
For Example: 18% 12 = 1.5000%

Computation: Principal x Rate = Late Payment Charges  
For Example: \$500 x 1.5000% = \$7.50

-----  
28 Days: Annual Interest Rate 13 = Billing Cycle Rate  
For Example: 20% 13 = 1.5385%

Computation: Principal x Rate = Late Payment Charges  
For Example: \$500 x 1.5385% = \$7.69

- 2 For billings issued on a nonrecurring basis, a monthly interest rate shall be applied when payment is not received by the due date.

NOTE: See Page 3 of this Exhibit for a Worksheet illustrating the computing of late payment charges. It is recommended that a worksheet be prepared for each debtor since late payment charges must be reported to the debtor at the end of the year. The example illustrated involves the computing of interest covering a 4-month period for one debtor.

Page 1  
6-8-82

AMS/FGIS INSTRUCTION 494-1  
Rev. 2  
EXHIBIT B

Explanation of Entries on Worksheet

Headings                      Columns                      Entries

	1	Prior Balance - Enter the dollar amount in Column 13 from the previous billing cycle.
	2	Current Charges - Enter dollar amount for services performed.
	3	Total - Add Columns 1 and 2.
-----		-----
Rate	4	Enter applicable rate.
-----		-----
Late Payment Charges	5	Brought Forward - Enter the dollar amount in Column 12 from the previous billing cycle.
	6	Current - Multiply Column 1 by Column 4.
	7	Total - Add Columns 5 and 6.
-----		-----
Total Billed	8	Add Columns 3 and 7.
-----		-----
Payment Received	9, 10,	Enter payment in Column 11 and compare with and Column 12.
	11	If payment is less than Column 12, enter payment amount in Column 9 and reduce Column 12 accordingly.
		If payment is greater than Column 12, enter the late payment charges in Column 9 and reduce Column 12 accordingly,
		The difference between the late payment charges recorded in Column 9 and the payment recorded in Column
		11 is entered in Column 10. The principal (Column 13) is reduced by this amount.
-----		-----
Outstanding Balance	12	Late Payment - Column 7 less Column 9.
	13	Principal - Column 3 less Column 10.
	14	Total - Add Columns 12 and 13.

Page 2

FOR A COPY OF PAGE 3 OF EXHIBIT B, PLEASE CONTACT AMS, INFORMATION MANAGEMENT BRANCH.

---

\_\_\_\_\_

---