



BUREAU OF THE  
**Fiscal Service**  
U.S. DEPARTMENT OF THE TREASURY

# Treasury's Delinquent Debt Collection Programs

## FSAC Payment Forum

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June 14, 2016

# Treasury's Debt Collection Programs

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- The Bureau of the Fiscal Service collects delinquent debts owed to Federal and state agencies through two major programs.
  - The Treasury Offset Program collected \$ 7 billion in FY 2015.
  - The Cross-Servicing Program collected \$ 388 million in FY 2015.
- Federal agencies are generally required to refer delinquent non-tax Federal debt to both TOP and Cross-Servicing for debt collection purposes.

# What is Cross-Servicing?

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- Cross-Servicing is a consolidated government-wide program operated by DMS that fulfills the requirements of the DCIA to collect delinquent non-tax debts on behalf of federal agencies.
- FedDebt is the current DMS web-based Cross-Servicing system.
- Methods of referral, on-line or EFT (Electronic File Referral).

# Debt Referral Requirements for Creditor Agencies

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- As required by the DCIA, an agency must refer any eligible debt more than 180 days delinquent to DMS for Cross-Servicing.
- The *Digital Accountability and Transparency Act of 2014* amended the DCIA and requires referral at 120 days instead of 180 days for administrative offset.
- If an agency uses TOP through Cross-Servicing, it must refer to Cross-Servicing at 120 days delinquent. Referral earlier than 120 days is encouraged.

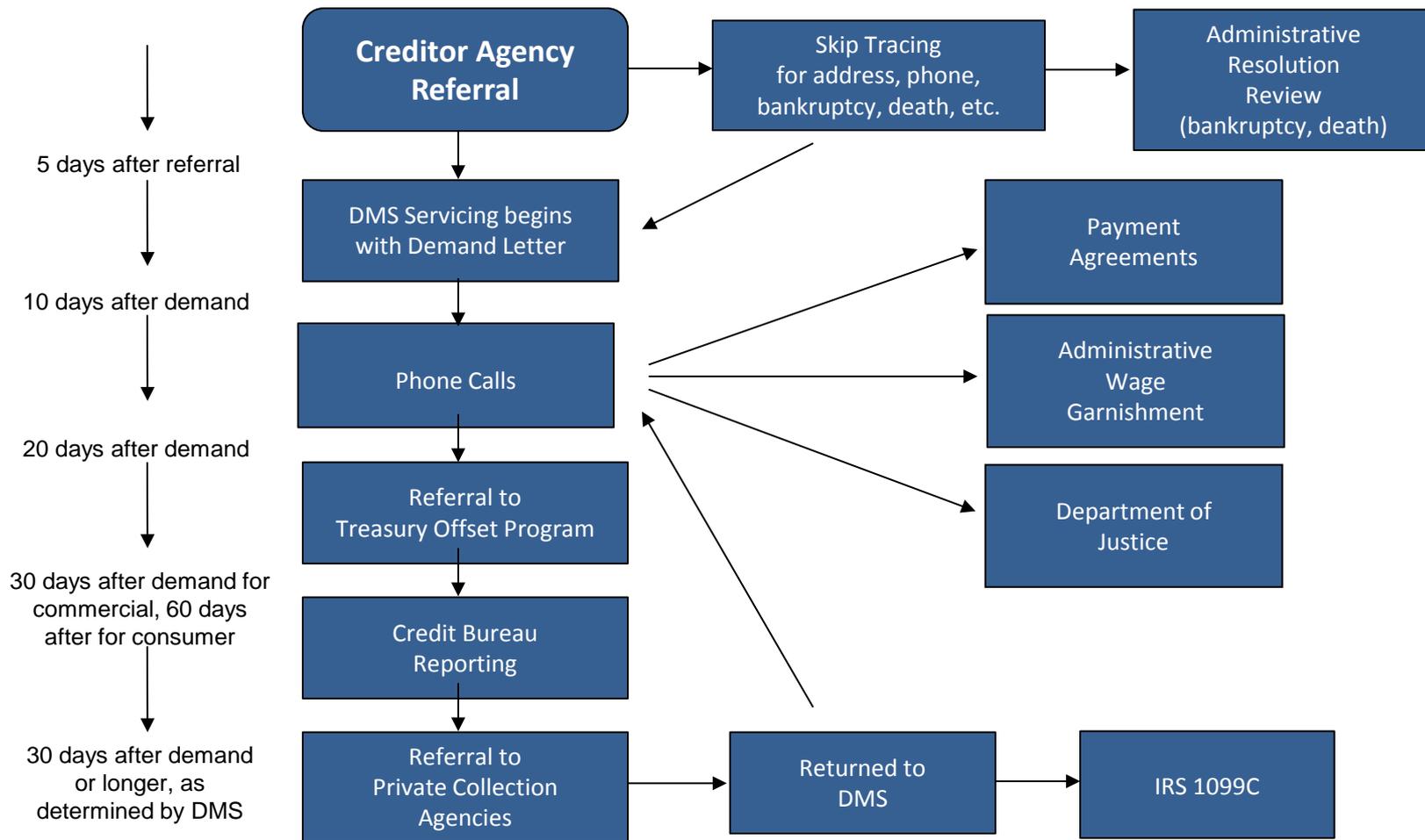
# Debt Referral Requirements for Creditor Agencies

- Before participating in the Cross-Servicing Program, an agency must:
  - Sign an *Annual Debt Certification Agreement*.
  - Complete an *Agency Profile Form(s)* to establish a program(s) in the FedDebt system.
  - Establish FedDebt users within the agency.

# Agency Responsibilities after Debt Referral

- Once a debt is referred to DMS, the agency must:
  - Stop its own collection activities related to the referred debt.
  - Refer any inquiries from the debtor to DMS.
  - Report to DMS any payment(s) received by the agency after referral, allowing DMS to maintain the correct debt balance and properly assess fees.
  - Maintain its own delinquent debt records for the referred debt.
  - Respond timely to debtor disputes and requests for relevant documents (Proof of Debt).
  - Promptly conduct all required reviews or hearings.
  - Inform DMS about any bankruptcy, litigation notices, or Congressional inquiries.

# Cross-Servicing Process Overview



## 2. Cross-Servicing Debt Collection Tools

# Cross-Servicing Debt Collection Tools

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- Demand Letters
- Phone Calls
- Skip Tracing
- Payment Agreements
- Treasury Offset Program
- Credit Bureau Reporting
- Private Collection Agencies
- Administrative Wage Garnishment
- Litigation by Department of Justice
- IRS Form 1099-C after Closeout

# Debt Collection Tools: Initial Activities

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- Demand letters are generated shortly after an account is referred for Cross-Servicing.
- DMS may begin making phone calls within 10 days of the issuance of the demand letter.
- Accounts submitted without a phone number will be sent to a PCA 15 days after referral.
- DMS conducts skip tracing to locate current debtor information (phone numbers, addresses, notice of death, bankruptcies, etc.).
- If a debt is determined to be non-collectible based on skip tracing information, DMS may administratively resolve the debt and return it to the agency.
- Match individual debtors with the National Directory of New Hires (NDNH) database for employment information.

# Debt Collection Tools: Payment Agreements

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- Both DMS and the PCAs make every attempt to collect debts in full, in a single payment.
- Establishing a payment agreement requires justification and supporting documentation to substantiate the agreement.
- The following are types of agreements negotiated by collectors:
  - Lump Sum Agreement
  - Installment Agreement
  - Partial Payment Agreement
  - Compromise Agreement

# Debt Collection Tools: Credit Bureau Reporting

- DMS reports delinquent debt to consumer and commercial credit bureaus.
- DMS responds to credit bureau reporting disputes if it has the required information. Otherwise, DMS will forward disputes to agencies, who should respond within 7 days.
- Consumer reporting is updated monthly.
- Commercial reporting is updated quarterly.

# Debt Collection Tools: Private Collection Agencies (PCAs)

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- DMS uses private sector debt collection companies for debt collection services.
- Goals of the PCA contract are to collect and resolve debt in a competitive environment.
- PCAs use collection tools similar to DMS:
  - Demand letters
  - Skip tracing
  - Phone calls
  - Repayment agreements
  - Administrative resolutions
  - Administrative wage garnishment

# Debt Collection Tools:

## Administrative Wage Garnishment (AWG)

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Administrative Wage Garnishment (AWG) is a debt collection process that allows a Federal agency to order a non-federal employer to withhold up to 15% of an employee's disposable wages to pay a nontax delinquent debt owed to the agency. No court order is required.

- AWG increases collections, encourages voluntary repayments and can be used anytime during the collection process.
- Prior to participating, an agency must:
  - Publish AWG regulations.
  - Establish hearing procedures and provide hearing official contact.
  - Update the Cross-Servicing Agency Profile Form accordingly.

# Debt Collection Tools: Department of Justice (DOJ)

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- Delinquent debts may be referred to DOJ for enforcement through litigation, including post-judgment enforcement.
- Debts are evaluated by DMS to determine referral potential. Factors considered include the debt balance, a debtor's ability to pay, documentation and a debtor's assets.
- DOJ makes the final decision on pursuing collection through litigation.

# Debt Collection Tools: IRS Form 1099-C Reporting

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- Any delinquent debt amounts not collected must be reported to the Internal Revenue Service (IRS) using IRS Form 1099-C, Cancellation of Debt.
- DMS may file Form 1099-C on behalf of creditor agencies. DMS marks a debt as eligible for Form 1099-C reporting if it is compromised or returned as uncollectible, or if the debt is \$600 or more.
- Agencies receive an IRS Form 1099-C eligible list from DMS and must make the final decision on issuing Form 1099-Cs.

# Debt Collection Tools: Treasury Offset Program

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- Agency debts referred to DMS for Cross-Servicing are then referred to TOP if the debtor information includes a taxpayer identification number and the agency's profile allows.
- TOP is used simultaneously with the other Cross-Servicing debt collection tools.
- Agencies can use the default Cross-Servicing TOP profile settings or modify settings for the types of debt referred.

# What is the Treasury Offset Program (TOP)?

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- **TOP** is a centralized offset process that intercepts federal and state payments of payees who owe delinquent debts to federal and state agencies that have submitted their debt information to Fiscal Service.
- **Offset** is withholding funds payable by a federal or state agency to a person to satisfy a debt owed to the United States or to a state agency.

# Debt Referral to TOP

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- Federal and state agencies submit eligible debts to TOP and certify that those debts are valid, delinquent, and legally enforceable, and that all due process prerequisites have been met.
- Due process prerequisites include:
  - 60-day prior notice to debtor, and
  - Opportunity to dispute the debt

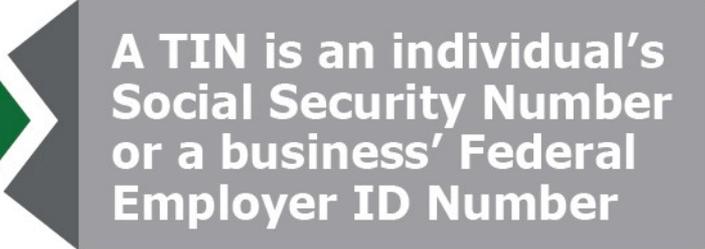
# How Does TOP Work?

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- TOP compares payee names and Taxpayer Identification Numbers\* (TINs) on payment certification vouchers to names and TINs of debtors in TOP's debtor database.
- When a match occurs on both, TOP intercepts, or "offsets," all or part of a payee's eligible federal or state payment.
- Fiscal Service notifies both the payee and the payment agency about the offset.

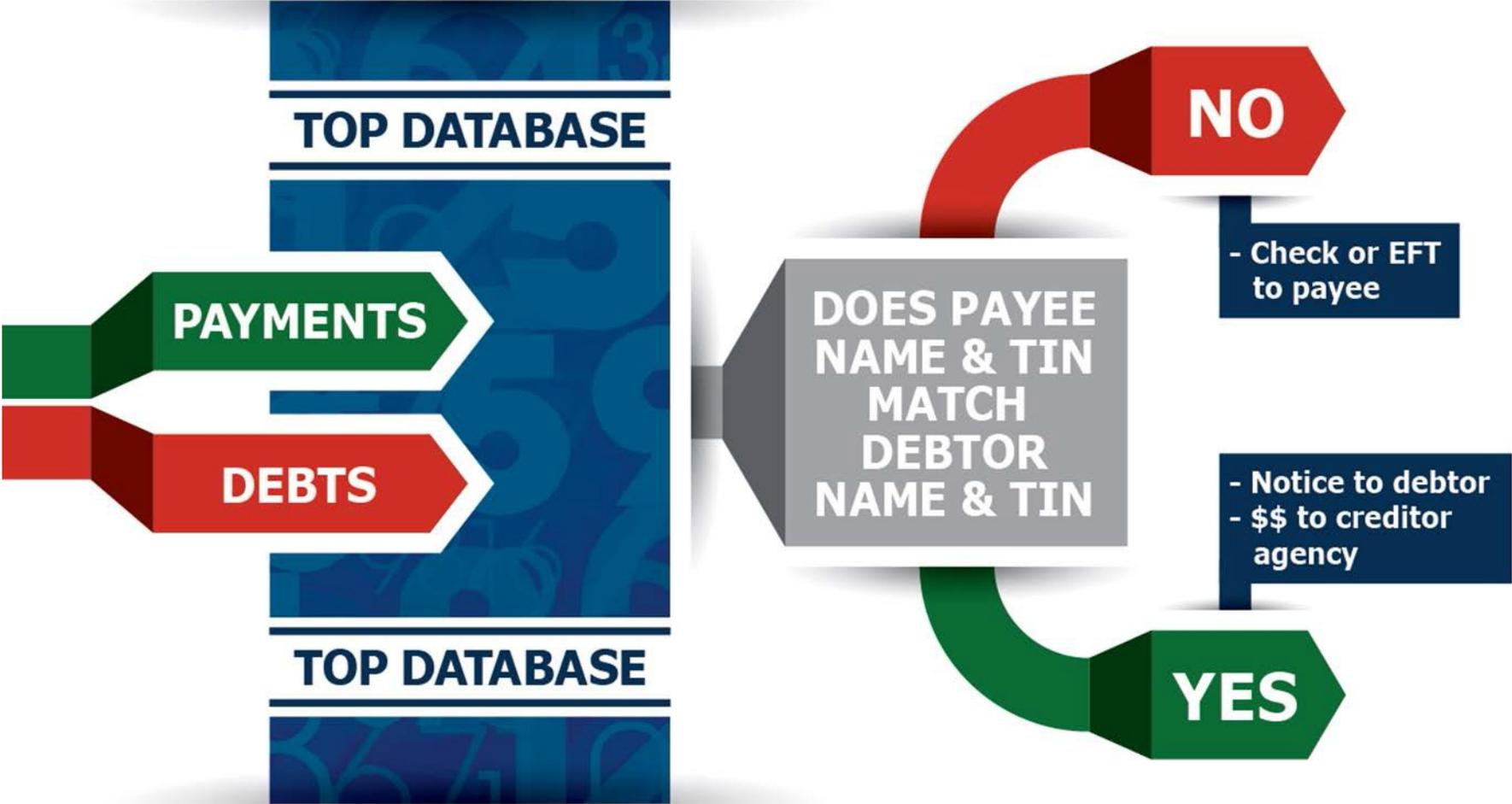


## WHAT IS A TIN?



A TIN is an individual's Social Security Number or a business' Federal Employer ID Number

# The TOP Process



# Priority of Debts

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When more than one debt is submitted for the same debtor, TOP applies funds collected in accordance with priorities set by statute and policy. TOP applies funds in the following order:

1. Federal Income Tax Debts
2. Child Support Debts (Temporary Assistance for Needy Families (TANF) and Non-TANF)
3. Federal Non-Tax Debts (For example: SSA Debts)
4. State Debts

When multiple debts submitted for the same debtor have the same priority, TOP applies funds collected to the oldest debt.

# Types of Payments Matched in TOP

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TOP matches against a variety of Federal and state payments:

- Federal tax refund payments
- Federal employee salary payments
- Social security benefit payments
- Railroad Retirement Board payments
- Federal employee OPM retirement annuity payments
- Vendor payments
- State vendor payments
- State income tax payments

# Payment Agency Profile Input Form

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- Each payment agency is responsible for filling out a Payment Agency Profile Input form for inclusion into the Treasury Offset Program system.
- The profile contains instructions that are maintained in TOP to manage payment agency processing in TOP.
- We ask that when new ALCs are used for payments or changed, that a revised Payment Agency Profile Input form be submitted to TOP.
- Contact your Kansas City Center payment representative or Sara Garris of the Treasury Offset Division at 202-874-6524, if you have any questions.

# TOP Web Client Security Access Form

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- Payment agency users can request access to the TOP Web Client by filling out a Security Access Request Form.
- The TOP Web Client provides payment agency users the capability to run the Payment Agency Report.
- The Payment Agency Report provides information on the payments that have been offset and Creditor Agency and debt the funds were applied to.

# Questions????