

PART II

**DEBT MANAGEMENT TOOL AND TECHNIQUE
PERFORMANCE DATA**

Part II of the Receivables Report contains management information on the status of delinquent debt by collection management tools and techniques, age, eligibility for referrals, collections, and debt disposition.

PART II

SECTION A: DELINQUENT DEBT 180 DAYS OR LESS

Part II - Debt Management Tool and Technique Performance Data		
	Number	Dollars
Section A Delinquent Debt 180 Days or Less		
(1) Total Delinquencies 1-180 Days (+)		
(A) In Bankruptcy (+)		
(B) In Forbearance or In Formal Appeals Process (+)		
(C) In Foreclosure (+)		
(D) At Private Collection Agencies (+)		
(E) At DOJ (+)		
(F) Eligible for Internal Offset (+)		
(G) In Wage Garnishment (+)		
(H) At Treasury for Cross Servicing (+)		
(I) At Treasury for Offset (+)		
(J) At Agency (+)		
(K) Other - must footnote (+)		

General

Section A - Delinquent Debt 180 Days or Less - captures delinquent debt information on the following collection tools and techniques: in bankruptcy, in forbearance or in formal appeals, in foreclosure, at a private collection agency, in litigation, eligible for internal offset, in wage garnishment, at Treasury for cross-servicing or offset, and at the agency. This section is designed to provide specific information on the actions an agency is taking to collect its debts between 1 and 180 days delinquent.

The following criteria must be used when preparing this section:

(A) Categories are not always mutually exclusive. An agency may refer a debt to a private collection agency and to Treasury for offset at the same time. This debt should be reported in both places.

(B) Debts at Treasury for cross servicing, a designated debt collection center, other third party, or the Department of Justice for litigation will not be reported in any other category, even though the entity working the debt may have referred it to a private collection agency or to Treasury for offset.

By Line

(1) Total Delinquencies 1- 180 Days: The cumulative dollar amount of delinquent debt outstanding 180 days or less as of the end of the quarterly reporting period. The dollar amount is system generated and will equal the sum of Part I, Section B, lines 1A and 1B. Because the categories are not mutually exclusive, the sum of lines 1A through 1K of this section may **not** equal this line.

(A) In Bankruptcy: The number and dollar amount of delinquent collateralized or uncollateralized debt in bankruptcy.

(B) In Forbearance or In Formal Appeals Process: The number and dollar amount of delinquent debt in a formal appeals process or appeals program. The results of the

appeal affect whether a debt is considered valid and legally enforceable and/or the dollar amount to be collected. Debts in a formal appeals program represent debts that are still in negotiation.

(C) In Foreclosure: The number and dollar amount of delinquent debt, which is in foreclosure. To be “in foreclosure”, a notice of default must have been filed.

(D) At Private Collection Agencies: The number and dollar amount of delinquent debt outstanding at private collection agencies. For this entry, a Private Collection Agency (PCA) is a contracted entity within your organization. Do not include PCA activity being pursued by Debt Management Services. These actions should be reported in “At Treasury for Cross-Servicing” on line H of this section.

(E) At DOJ: The number and dollar amount of delinquent debt outstanding that is in litigation either at the Department of Justice or at agencies with the statutory authority to litigate.

(F) Eligible for Internal Offset: The number and dollar amount of delinquent debts that will be collected by internal agency offset. Internal offset occurs when an agency collects a delinquent debt by offsetting payments made or due to the delinquent debtor by that agency.

(G) In Wage Garnishment: The number and dollar amount of delinquent debt for which the agency is pursuing administrative wage garnishment within the agency. Do not include garnishment actions being pursued by the Department of Justice or Debt Management Services; these actions would be reported as in “DOJ litigation” on line E of this section or “At Treasury for Cross-Servicing” on line H of this section, respectively.

(H) At Treasury for Cross-Servicing: The number and dollar amount of debt outstanding at Treasury for cross-servicing.

(I) **At Treasury for Offset:** The number and dollar amount of debt referred to FMS for collection through the Treasury Offset Program.

(J) **At Agency:** The number and dollar amount of delinquent debt being worked at the agency. Debt being worked at the agency includes, but is not limited to, in counsel, Federal salary offset initiated by the agency, or pending referral to the Department of Justice for litigation.

(K) **Other:** The number and dollar amount of delinquent debts outstanding that is being worked by management tools or techniques not represented in lines 1A through 1J of this section. Other tools and techniques include, but are not limited to, debts at third parties - such as a guaranty agency or financial institution, and debts at a designated debt collection center. All amounts reported on this line are to be footnoted to identify the tool or technique being used.

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SECTION B: DELINQUENT DEBT 181 DAYS and OVER

Section B Debt Eligible for Referral to Treasury for Offset and Cross-Servicing	
(1) Debt Eligible for Referral to Treasury for Offset	
(A) Delinquent Debt Over 180 Days and Currently not Collectible	
(B) In Bankruptcy (-)	
(C) Foreign/Sovereign Debt (-)	
(D) In Forbearance or Formal Appeals Process (-)	
(E) In Foreclosure (-)	
(F) Other - must footnote (+ or -)	
(G) Debt Eligible for Referral to Treasury for Offset (+)	
(H) Debt Referred to DOJ/Litigation (-)	
(I) Debt Eligible for Referral to Offset by Agency	
(J) Debt Referred to Treasury for Offset (-)	
(K) Balance of Debt Eligible for Referral by the Agency	
(2) Debt Eligible for Referral to Treasury or a Designated Debt Collection Center for Cross-Servicing	
(A) Debt Eligible for Referral to Offset by Agency	
(B) At PCAs (-)	
(C) Eligible for Internal Offset (-)	
(D) Debt Exempted by Treasury from Cross Servicing (-)	
(E) Other - <u>must footnote</u> (+ or -)	
(F) Debt Eligible for Referral to Treasury or a Designated Debt Collection Center for Cross-Servicing	
(G) Debt Referred to Treasury for Cross Servicing (-)	
(H) Balance of Debt Eligible for Referral by the Agency	

General

Section B - Debt Eligible for Referral to Treasury for Offset and Cross-Servicing - captures delinquent debt information according to eligibility for referral to Treasury for offset and cross-servicing. Exceptions for debt referrals to Treasury for offset include, but are not limited to, the following categories: bankruptcy, foreign/sovereign debt, forbearance programs, formal appeals, and foreclosure. Exceptions for debt referrals to Treasury for cross-servicing include the offset exception categories, in addition to, debts at private collection agencies, in litigation, and eligible for internal offset.

Note: Debts that are more than 10 years delinquent may not be referred for offset, unless authorized by Federal law, for example, the Department of Education’s student loans.

This information is being requested to assist in identifying what actions agencies are taking to collect seriously delinquent debt, relative to compliance with the requirements of the DCIA. The DCIA requires agencies to (1) notify Treasury of all debts delinquent more than 180 days for offset and (2) refer to Treasury, with the aforementioned exceptions, all debts delinquent more than 180 days for cross-servicing debt collection.

The “Other” category (line 1f and 2e) is to be used for unique exemptions from both Cross-Servicing and Treasury Offset. **It should be used with restrictions.** The report has been enhanced to contain pop-up screens that will appear when filling in the “Other” category line item. This will allow each preparer to understand what goes in this category, as well as provide Treasury with more reliable data.

In preparing this section, the following things should be considered:

Compromise Debt: The amount of a debt remaining after the agency has compromised with the debtor and has received the payment, generally is **NOT LEGALLY** enforceable. The agency needs to determine whether to report this to the IRS on a 1099-C and get it off its books.

Repatriation Loans Over 10 Years Delinquent: These debts are essentially written-off as uncollectible. They remain on the agency's books for the sole purpose of preventing a debtor from obtaining a new passport until the debt is paid off.

Repayment Agreements or Installments: If the agency and the debtor have reached either an installment or repayment agreement, this amount is no longer delinquent and the debt is reclassified as a "Current Receivable" and should be taken out of the 180 days delinquent category of reporting.

By Line

(1) **Debt Eligible for Referral to Treasury for Offset**

(A) **Delinquent Debt Over 180 Days and Currently not Collectible:** The dollar amount of debt that is over 180 days delinquent but not over 10 years delinquent and amounts included in currently not collectible. The dollar amount on this line equals the sum of lines 1C through 1F of Part I, Section B added to the sum of lines 1A through 1D of Part II, Section D.

Exception: The Department of Education Student Loan Program, or other programs with similar authority, should report debts that are delinquent over 10 years.

(B) **In Bankruptcy:** The number and dollar amount of delinquent collateralized or uncollateralized debt in bankruptcy. Enter number and dollar amounts with a minus (-) sign before the figures.

(C) **Foreign Sovereign Debt:** The number and dollar amount of delinquent debt owed to the Government by sovereign nations. Do not include delinquent debts owed by foreign corporations or foreign individuals. Those debts are considered to be non-government, domestic debt. Enter number and dollar amounts with a minus (-) sign before the figures.

Note on Foreign Debt: This category is only for Foreign/Sovereign Debt. All other foreign debts owed by individuals and corporations are eligible for referral to Treasury.

(D) In Forbearance or Formal Appeals Process: The number and dollar amount of the debt that is deferred because of a formal forbearance program or appeals process. Debts that are subject to forbearance or that are under appeal generally are not “legally enforceable”. The results of an appeal determine whether a debt is considered valid and legally enforceable and/or the dollar amount to be collected. Enter number and dollar amounts with a minus (-) sign before the figures.

(E) In Foreclosure: The number and dollar amount of delinquent collateralized debt in foreclosure. To be “in foreclosure” a notice of default must have been filed. Enter number and dollar amounts with a minus (-) sign before the figures.

Note on Deficiencies from Foreclosure: If an actual ongoing foreclosure proceeding is taking place, the debt should be classified “In Foreclosure”. If a legally enforceable deficiency remains after foreclosure, the debt is eligible for both Offset and Cross-Servicing.

(F) Other: The number and dollar amount of delinquent debt that is exempt from, or adjusted to, referral to Treasury for reasons other than those listed in lines A through E above. Amounts entered on this line must be footnoted with the reason for exempting or adjusting the debt referral. Number and dollar amounts may be positive or negative. Enter negative amounts with a minus (-) sign before the figures.

Note on Debts That Are Not Legally Enforceable: Debts that are classified as in suspense, deemed not valid or no final determinations that the debts are due and valid should be classified in the “Other” category since they are not legally enforceable.

Note on Debts Scheduled for Sale: The DCIA excludes debts for referral to Treasury for cross-servicing that will be disposed of under an asset sales program within one year of becoming eligible for sale, or later than one year if consistent with an asset sales program and a schedule established by the agency and approved by the Director of the Office of Management and Budget. This should be classified in the “Other” category.

(G) Debt Eligible for Referral to Treasury for Offset: This line is system generated. The number and dollar amount of delinquent debt over 180 days but not over 10 years that is eligible for referral to Treasury for offset. The dollar amount on this line equals the sum of lines 1A through 1F of this section and is system generated. Enter the number of cases appropriate for this line.

(H) Debt Referred to DOJ/Litigation: The number and dollar amount of delinquent debt over 180 days that has been referred for litigation; this may include DOJ referrals or internal referrals at agencies with statutory authority to litigate.

Note on Estate debt: To collect against an estate, the agency must file a claim against the estate. This is typically done through a probate court. If the agency is proceeding against the estate, it should be categorized “In Litigation”.

Note on Debts in Litigation at the Agency: If a debt is not being handled by DOJ, it can still be considered “In Litigation” if an actual court proceeding has been commenced. If the debt is with the agency counsel who is considering, but has not actually started litigation, then the debt should be “Referred to Treasury” and not reported as an exemption.

(I) Debt Eligible for Referral to Offset by Agency: This line is system generated. It is the number and dollar amount of delinquent debt over 180 days, but less than 10 years delinquent that is eligible for referral to Treasury for offset. The number and dollar amount of this line equals G minus H. (This will apply unless there is statutory or regulatory authority for debts over 10 years such as, Department of Education, Health and Human Services, and Veterans Administration.)

(J) Debt Referred to Treasury for Offset: Of the amount eligible, the number and dollar amount of delinquent debt over 180 days that has been referred to Treasury for offset.

(K) Balance of Debt Eligible for Referral by the Agency: This line is system generated. The number and dollar amount of delinquent debt over 180 days, but not over 10 years that is eligible for referral to Treasury for offset. The dollar amount of this line equals I minus J.

(2) Debt Eligible for Referral to Treasury or a Designated Debt Collection Center for Cross-Servicing.

(A) Debt Eligible for Referral to Offset by Agency: The number and dollar amount of delinquent debt over 180 days that is eligible for referral to Treasury for offset. This line is equal to line 1I of this section and is system generated.

(B) At Private Collection Agencies: The number and dollar amount of delinquent debt outstanding at private collection agencies. Enter number and dollar amounts with a minus (-) sign before the figures.

Note on Debts at PCAs: HHS, Education and Postal Service are agencies allowed to have debt over 180 days delinquent at PCAs. These agencies may have debts less than 180 days delinquent at PCAs, but once those debts become 180 days delinquent the debts remain exempt for another 30 days and then the debts must be referred to Treasury because these debts are considered eligible.

(C) Eligible for Internal Offset: The agency is enforcing collection of the debt through an internal offset. Delinquent debts are eligible for internal offset, if such offset is sufficient to collect the claim within 3 years after the date the debt or claim is first delinquent. Enter number and dollar amounts with a minus (-) sign before the figures.

(D) Debt Exempted by Treasury from Cross Servicing: Enter the number and dollars amount of delinquent debt that has been formally exempted by Treasury from cross-servicing. Enter number and dollar amounts with a minus (-) sign before the figures.

Note on State Managed Federal Debt: This should be classified in the Debt Exempted by Treasury for Cross-Servicing category, since the debt is being serviced by a third party.

Note on Debts Being Serviced by Third Parties: Third party debts include debts at third parties that are not being serviced by the agency. This debt category is exempt and classified in the Debt Exempted by Treasury from Cross-Servicing category.

(E) Other: The number and dollar amount of delinquent debt that is exempt from, or adjusted to, referral to Treasury for reasons other than those listed in lines 2B through 2D above. **Add delinquent debts that are over 10 years old and are not exempt from referral for cross-servicing.** Other exempt categories include, but are not limited to, debts at third parties' such as a guaranty agency or financial institution which is servicing the delinquency on behalf of the agency, debts at a designated debt collection center, debts scheduled for sale, debts in a non-judicial

garnishment of private sector wages process, or debts referred to Treasury but returned to the agency. Amounts entered on this line must be footnoted with the reason for exempting or adjusting the debt referral. Number and dollar amounts may be positive or negative. Enter negative amounts with a minus (-) sign before the figures.

Note on Debt over 10 years old: If a debt is on an agency's books, it is exempt from "Offset", but eligible for "Cross-Servicing" because TOP has a limitation of 10 years, unless otherwise provided by law. Cross-Servicing accepts debts over 10 years.

(F) Debt Eligible for Referral to Treasury or a Designated Debt Collection Center for Cross-Servicing: The number and dollar amount of delinquent debt over 180 days that is eligible for referral to Treasury or a designated debt collection center for cross-servicing. Debts returned to the agency for write-off concurrence would still be reported in one of the above categories. This line equals the sum of lines 2A through 2E of this section and is system generated.

(G) Debt Referred to Treasury for Cross Servicing: Of the amount eligible, the number and dollar amount of delinquent debt over 180 days that has been referred to Treasury for cross-servicing.

(H) Balance of Debt Eligible for Referral by the Agency: This line is system generated. The number and dollar amount of delinquent debt over 180 days, but not over 10 years that is eligible for referral to Treasury for cross servicing. The dollar amount of this line equals 2F minus 2G.

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SECTION C: COLLECTIONS ON DELINQUENT DEBT

Section C Collections		
(1) Collections on Delinquent Debt		
(A) By Private Collection Agencies (+)		
(B) By Litigation (+)		
(C) By Internal Offset (+)		
(D) By Third Party (+)		
(E) By Asset Sales (+)		
(F) By Wage Garnishment (+)		
(G) By Treasury/Designated Debt Collection Center Cross Servicing (+)		
(H) By Treasury for Offset (+)		
(I) By Agency (+)		
(J) Other - must footnote (+)		

General

Section C - Collections - captures information on all collections of **delinquent** accounts by management tool and technique. Collections are not always mutually exclusive. The number and dollar amounts are recorded in each tool or technique that collected funds.

The purpose for requesting this information is to assist agencies in assessing the effectiveness of their current debt collection strategies. This information allows agencies to compare the number of cases and dollar amounts collected from each tool to the number and dollar amounts of debts applied to each tool.

The following criteria must be used when preparing this section:

Categories are not always mutually exclusive. An agency may collect a debt from a private collection agency and from Treasury's Offset program at the same time. The collections should be reported in both places.

Collections by Treasury's cross servicing program or a designated debt collection center, third party, or the Department of Justice (by litigation) will not be reported in any other category, even though the entity working the debt may have received funds from a private collection agency or from the Treasury Offset Program.

The actual number of debts or claims for which collections were received is to be reported. If amounts were received for the same debt by more than one tool or technique, the debt is to be counted once for each tool or technique that was successful in collection.

By Line

- (1) **Collections on Delinquent Debt:** The dollar amount of collections on delinquent debts. Include collections of delinquent debt that were written off and subsequently restored during the fiscal year. Non-cash collections (for example, personal property or services rendered) are to be footnoted.

The dollar amount for this line equals the sum of lines 1A through 1J of this section and is system generated.

Collections on receivables will be itemized in the following categories:

(A) **By Private Collection Agencies:** The number and dollar amount of delinquent debt collected by private sector collection agencies under contract with the agency or Treasury. Do not include collections by Private Collection Agencies realized through other services, e.g., a designated debt collection center.

(B) **By Litigation:** The number and dollar amount of delinquent debt collected by the Department of Justice through litigation or by agencies with the statutory authority to litigate. Include judicial foreclosure, bankruptcy, cash, and non-monetary settlements.

(C) **By Internal Offset:** The number and dollar amount of delinquent debt collected through an internal offset. An internal offset occurs when an agency collects by offsetting payments made or due to the delinquent debtor by another program within that agency.

(D) **By Third Party:** The number or dollar amount of delinquent debt collected by a third party other than the Department of Justice or private collection agency, such as a guaranty agency.

(E) **By Asset Sales:** The number and dollar amount of proceeds realized from the sale of a delinquent loan or debt asset.

(F) **By Wage Garnishment:** The number and dollar amount of collections received as the result of non-judicial (administrative) garnishment of private sector wages. **Do not** include Federal employee salary offsets; Federal employee salary offsets are collected through the Treasury Offset Program.

(G) **By Treasury/Designated Debt Collection Center Cross Servicing:** The number and dollar amount of delinquent debt collected by Treasury through its cross-servicing program. Report total collections realized by Treasury as the result of cross-servicing. For example, if you sent debts to Treasury and it collected via a private collection agency or Treasury Offset, report the entire amount of the collection as a Treasury Cross-Servicing collection.

(H) **By Treasury for Offset:** The number and dollar amount of delinquent debt collections realized by Treasury or by a non-Treasury disbursing officer through the offset of a Federal payment. Federal payments of benefits, tax refunds, salary, or vendors are subject to offset.

(I) **By Agency:** The number and dollar amount of delinquent debt worked and collected at the agency.

(J) **Other:** The number and dollar amount of delinquent debt collected by management tools or techniques not represented in lines 1A through 1I above. All amounts reported on this line are to be footnoted to identify the collection method used.

PART II

SECTION D: DEBT DISPOSITION

Section D Debt Disposition		
(1) Currently not Collectible (Written Off and Not Closed Out)		
(A) At Private Collection Agencies (+)		
(B) At Treasury or a Designated Debt Collection Center for Cross Servicing (+)		
(C) At Treasury for Offset (+)		
(D) Other - must footnote (+)		
(2) Debts Reported to IRS on Form 1099-C (Written Off and Closed Out)		
(3) Disposition of Debts Closed by CY for Tax Compliance Purposes		
(A) CNC Reclassified as Closed Out During the CY (+)		
(B) Total of Debts Closed Out During Previous CY (+)		
(C) Closed Out Debts Not Report to IRS on 1099-C - must footnote (+)		

General

Section D - Debt Disposition - captures information on the number and dollar amount of selected categories of written-off and closed out delinquent debt. The purpose of requesting the information in this section is to identify the amount of debt which has been written off, but on which the agency is still pursuing collection action. Section D captures information on the final close-out of delinquent debt and reporting of debts to IRS as income on IRS Form 1099-C, once the agency determines that no further collection action will be taken. Section D also collects information on debts closed out during the current and previous calendar year, as well as closed out debts not reported to the IRS on IRS Form 1099-C.

By Line

- (1) **Currently not Collectible (Written-off and Not Closed-Out):** The number and dollar amount of receivables that have been written-off (removed from agency accounting records) and not closed-out. The number and amount for line 1 of this section shall be a cumulative number, representing all written off debt from the **current** and **preceding** fiscal years, on which the agency is continuing to pursue collection action. This line should equal the sum of lines A through D of this section.
- (A) **At Private Collection Agencies:** The number and dollar amount of receivables that have been written-off, but are still being pursued for collection by a private collection agency.
- (B) **At Treasury or a Designated Debt Collection Center for Cross Servicing:** The number and dollar amount of receivables that have been written-off, but whose collection is being pursued by a designated debt collection center, including Treasury, for cross-servicing.

(C) **At Treasury for Offset:** The number and dollar amount of receivables that have been written-off and referred to Treasury to be entered in the Treasury Offset Program delinquent debtor database.

(D) **Other:** The number and dollar amount of receivables that have been written off and not included in lines 1A through 1C. Amounts reported on this line should be footnoted to explain why they were not reported on lines 1A through 1C.

- (2) **Reported to IRS on Form 1099-C (Written-off and Closed Out):** The number and dollar amount of debt that has been reported as income to the IRS on IRS Form 1099-C during the most recent tax year (**previous calendar year**).

Important

Reporting to IRS always occurs in the 2nd Quarter of the fiscal year (February). For example, if a debt is written off in March 2002 and the agency decides to terminate all efforts to collect it in June 2003, the debt would be reported to IRS in February 2004, and reported to FMS on the 2nd quarter, FY 2004 report.

Debts reported on this line have been written off and closed out, and all collection actions have ceased. **Note:** If there is a significant difference between the amount of debt reported as closed out and the amount of debt reported to the IRS, please describe in the footnote section the amount of this difference and the reason for this difference.

- (3) **Disposition of Debts Closed Out by CY for Tax reporting compliance purposes:** This information is reported on a tax year basis. All information reported in this section is to be cumulative by CY for tax reporting purposes. This information will assist in identifying compliance with IRS regulation.

(A) **CNC Reclassified as Closed Out During the Current CY:** The cumulative number and dollar amount of CNC debt for which collection action has ceased. This

debt is removed from the CNC category and closed out during the **current calendar** year.

(B) Total Of CNC Debts Closed Out During Previous CY: The cumulative number and dollar amount of CNC debt for which collection action has ceased. This debt was removed from the CNC category and closed out during the **previous calendar** year.

(C) Closed Out Debts Not Reported to IRS on 1099-C (must footnote): The cumulative number and dollar amount of debt for which all collection actions have ceased **for the current calendar year**, but will **not** be reported to the Internal Revenue Service (IRS) as income on IRS Form 1099-C. All debts should be reported to the IRS on IRS Form 1099-C, unless they meet a legal or statutory exception that bars them from reporting the closed out debt, or they do not meet the appropriate IRS requirements. **The reason(s) that these debts are not reported to the IRS needs a detailed explanation in the footnote section.**