



Comptroller General  
of the United States

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Washington, D.C. 20548

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May 3, 1994

The Honorable Jimmy Hayes  
House of Representatives

Dear Mr. Hayes:

This responds to your letter of December 21, 1993, asking for our assistance concerning the State of Louisiana's request to renegotiate repayment of the \$2.76 million debt that it owes the United States Department of Labor (Labor) on account of disallowed Job Training Partnership Act expenses. We are pleased to report that Labor has agreed to reopen negotiations and entertain the possibility of extending the 3-year repayment schedule in an effort to accommodate the State's financial considerations.

In November 1993, Labor rejected Louisiana's request to renegotiate based on a misunderstanding of the Federal Claims Collection Standards (FCCS), 4 C.F.R. ch. II (1992). The FCCS are government-wide debt collection regulations issued jointly by GAO and the Department of Justice pursuant to the Federal Claims Collection Act of 1966, as amended by the Debt Collection Act of 1982, 31 U.S.C. ch. 37 (1988). Section 102.11 of the FCCS provides that debts owed to the United States normally should be paid in full in one lump sum. Under certain circumstances, however, this section allows agencies to accept installment payments. In those cases, the section specifies that "[i]f possible, the installment payments should be sufficient in size and frequency to liquidate the government's claim in not more than 3 years." 4 C.F.R. § 102.11(a). Labor believed that because of section 102.11, it lacked the authority to agree to installment payment periods longer than 3 years. Labor's understanding of this provision was influenced, in part, by previous objections by the Justice Department to repayment agreements extending beyond 3 years. Based on those experiences, Labor concluded that Justice construes the FCCS to preclude agencies from ever entering into repayment agreements longer than 3 years.

We interpret the plain language of section 102.11 to mean that agencies should strive to limit the installment repayment period to 3 years, "whenever possible." In our view, this provision amounts to no more than a strongly favored goal that an agency may discard when merited under the facts and circumstances of the particular case, and in

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the light of other policies and criteria established in the FCCS, the particular agency's debt collection regulations, and any other specifically applicable statutes and regulations.<sup>1</sup>

In a conference call we conducted with the responsible Justice and Labor staff, Justice explained that Labor had misunderstood its position in this regard. According to Justice, it had opposed longer repayment periods in the previous cases involving Labor not because they were unauthorized, but because Justice felt them to be inappropriate to the facts and circumstances of those cases. Justice stated that it was not opposed to Labor negotiating a longer payment period with respect to Louisiana's debts, so long as the agreement as a whole was not only fair to the State, but adequately protected the interests of the federal government as well. It was agreed that Labor was free to reopen negotiations in order to attempt to reach a mutually acceptable settlement which might include, among other things, a repayment period in excess of 3 years. Given the amount of Louisiana's debt and Labor's willingness to compromise the debt as part of an otherwise acceptable repayment agreement, Labor's disposition of this matter will eventually require approval from the Justice Department. 4 C.F.R. §§ 103.1, 104.1. Inasmuch as the FCCS grant agencies broad discretion in the administrative collection and compromise of debts owed to them, Justice has refrained from imposing any particular terms upon Labor. Instead, Justice has reserved its judgment in this matter pending Labor's submission of the renegotiated agreement for formal review.

We are hopeful that our efforts will prove useful to Louisiana and Labor in resolving the financial difficulty with which Louisiana is faced. With Justice's and GAO's explanation of agencies' discretion under section 102.11 of the FCCS, Labor has expressed its willingness to discuss

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<sup>1</sup>There are, of course, some exceptions to this authority. The most notable is the requirement that where, as here, the installment repayment agreement negotiated by the agency also provides for compromise, suspension, or termination of the debt and that debt exceeds \$100,000, the agency must obtain the concurrence of the Justice Department before executing the agreement. 31 U.S.C.A. § 3711(a)(2), as amended (1993 Supp.); 4 C.F.R. §§ 103.1, 104.1.

with Louisiana the possibility of renegotiating the repayment schedule. If you have any questions in this regard, please contact Mr. Neill Martin-Rolsky in our Office of General Counsel (512-5644).

Sincerely yours,

*for James F. Hodgman*  
Comptroller General  
of the United States