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# Review Of The Administration Of Debt And Payment Claims B-117604(11)

General Services Administration

**UNITED STATES  
GENERAL ACCOUNTING OFFICE**

AUG. 31. 1971

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

CLAIMS DIVISION

IN REPLY PLEASE QUOTE

B-117604(11)

Dear Mr. Kreger:

This is our report on a review of the administration of debt and payment claims at the General Services Administration Central Office and Region 3, Washington, D.C.; Federal Supply Service, Arlington, Virginia; and Regions 9 and 10, San Francisco, California, and Auburn, Washington, respectively. We shall appreciate being advised of the actions taken or planned on the matters discussed in this report.

Copies of this report are being sent to the Director, Office of Management and Budget.

Sincerely yours,

*James M. Campbell*

Director, Claims Division

The Honorable Rod Kreger  
Deputy Administrator  
General Services Administration

D I G E S T

WHY THE REVIEW WAS MADE

As a part of its continuing program to review agency instructions, procedures, and operations in the areas of claims against the Government (payment claims) and of claims by the Government (debt claims), the General Accounting Office (GAO) made reviews at the General Services Administration (GSA) Central Office and Region 3, both in Washington, D.C.; the Federal Supply Service, Procurement Operations Division, Arlington, Virginia; and at Regions 9 and 10 located in San Francisco, California, and Auburn, Washington, respectively.

Our objective was to evaluate practices in the settlement of claims and to ascertain if there was compliance with the General Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies and the Joint Standards issued under section 3 of the Federal Claims Collection Act of 1966 (31 U.S.C. 952).

FINDINGS AND CONCLUSIONS

Payment claims

GAO was satisfied that determinations of actions to be taken on payment claims were being made at a responsible level but found that the Army Hold-Up List was not being used to make offsets against amounts payable to contractors. (See p. 4.)

Debt claims

Instructions relating to debt claims generally were consistent with the GAO manual and the Joint Standards. GAO pointed out, however, that GSA Order ADM 1215.2A should be modified to reflect more clearly the intent of the Joint Standards. (See pp. 6, 7, and 8.) Debt claims collections operations could be improved by:

- Utilizing additional available sources to locate debtors. (See pp. 11 and 12.)
- Obtaining financial information about debtors. (See pp. 12 and 16.)
- Making demand letters more forceful. (See p. 12.)

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- Processing demand letters on a more timely basis. (See p. 14.)
- Setting off debts against amounts payable to debtors. (See pp. 15 and 22.)
- Contacting debtors personally, when feasible. (See p. 16.)
- Terminating claims only after all required collection action has been taken. (See p. 17.)
- Disposing of claims on a timely basis. (See p. 19.)
- Exploring feasibility of compromise. (See p. 20.)
- Placing names of debtors on the Hold-Up List for possible setoff of available funds. (See p. 22.)
- Ascertaining that excess costs are being assessed properly. (See p. 22.)

RECOMMENDATIONS OR SUGGESTIONS

The report contains specific recommendations to the Deputy Administrator, General Services Administration, for bringing about the improvements discussed above. (See pp. 9, 17, and 20.)

In general, GSA should

- revise the operating handbooks and the order to conform to the GAO manual and the Joint Standards and
- emphasize the importance of timely execution of all necessary collection actions.

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### ABBREVIATIONS

GAO	General Accounting Office
GSA	General Services Administration

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## CHAPTER 1

### INTRODUCTION

The General Accounting Office has completed reviews of the administration of claims operations at the General Services Administration Central Office and Region 3, Washington, D.C.; Federal Supply Service, Procurement Operations Division, Arlington, Virginia; and Regions 9 and 10, San Francisco, California, and Auburn, Washington, respectively. Our objective was to evaluate the practices of GSA in the settlement of claims against the Government (payment claims) and of claims by the Government (debt claims). We gave specific attention as to whether there was compliance with:

1. The General Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies, hereinafter referred to as the GAO manual.
2. Regulations issued jointly by the Comptroller General and the Attorney General of the United States under section 3 of the Federal Claims Collection Act of 1966 (31 U.S.C. 952). These regulations, hereinafter referred to as the Joint Standards, prescribe for the administrative collection, compromise, termination of agency collection action, and referral to GAO of debt claims (4 CFR 101-105).



## CHAPTER 2

### REVIEW OF PAYMENT CLAIMS OPERATIONS AND INSTRUCTIONS

We reviewed payment claims operations to inquire into whether (1) doubtful claims were being transmitted to GAO for settlement or were the subject of requests for advance decisions by the Comptroller General and (2) the Hold-Up List maintained by the Army was being utilized effectively. This list includes names of contractors indebted to other departments and agencies as well as to the Army and is circularized to put all contracting agencies of the Government on notice of debts arising under contracts with other agencies in order that amounts due the indebted contractors may be withheld for application against the debts. Section 102.3 of the Joint Standards provides that appropriate use be made of the cooperative efforts of other agencies in effecting collections by offset, including utilization of the Hold-Up List.

We were satisfied that determinations as to whether payment claims should be handled administratively or should be submitted to GAO were being made at a responsible level.

We have been informed that voucher examiners normally do not refer to the Hold-Up List for possible offset before approving invoices for payment because the Hold-Up List is, in their opinion, unprofitable, cumbersome, difficult to work with, and unadaptable in view of the large number of payments being made.

We understand that Region 9 officials have devised and proposed to GSA Central Office officials an automated offset procedure intended for nationwide application. Since GSA, as one of the major contracting agencies, should be in a favorable position to set off a substantial amount due the Government from delinquent contractors, we urge that GSA give serious consideration to adapting a system to make use of the Hold-Up List.

GSA handbook CPT P 1255.1 entitled "Examination of Vouchers and Invoices" contains, in general, adequate policy and instructional material for the guidance of employees engaging in the examination of vouchers and invoices or

performing a duty or function affecting the processing of payment documents.

Title 4 of the GAO manual was revised completely. See Transmittal Sheet No. 4-16 dated September 1, 1967. Chapters, sections, and subsections were renumbered to conform to the new numbering system applied to other titles of the manual. Chapter 5, section 3, of the Office of General Counsel Handbook, CSL P 5000.2 (September 17, 1963) makes reference to the old numbering system. Since the GAO manual is the official medium through which the Comptroller General promulgates (1) accounting principles, (2) uniform procedures, and (3) regulations, we believe that current references are desirable.

## CHAPTER 3

### REVIEW OF INSTRUCTIONS RELATING TO DEBT CLAIMS

The Joint Standards provide that regulations prescribed by heads of agencies pursuant to section 3 of the Federal Claims Collections Act of 1966 be reviewed by GAO as a part of its audit of an agency's activities. In discharging this responsibility we examined the following GSA instructions.

1. Credit, Finance and Insurance Handbook OAD P 3000.2.
2. Chapter 5, section 3, of the Office of General Counsel Handbook, CSL P 5000.2.
3. Chapter 5 of ADM P 5450.39.
4. Order ADM 1215.2A.

Although the instructions promulgated by GSA generally are adequate, in view of the responsibilities placed on administrative agencies by the Federal Claims Collection Act of 1966 and the implementing Joint Standards, we believe that some revisions would be beneficial.

Paragraph 4, chapter 4, of the Credit, Finance and Insurance Handbook provides for referring a case to GAO with the concurrence of Regional Counsel when the claim is \$200 or more and when it is determined by the Credit and Finance Branch that the claim is administratively uncollectible by GSA and that collection action cannot be suspended or terminated. We found no reference to title 4 of the GAO manual in the handbook.

Chapter 5, section 3, of the Office of General Counsel Handbook, CSL P 5000.2, pertains, in part, to claims by the Government. Examination thereof indicates that this section was written prior to enactment of the Federal Claims Collection Act of 1966 and issuance of the Joint Standards. Also numerous references are made therein to sections in title 4 of the GAO manual. As previously mentioned, chapters, sections, and subsections of this title have been renumbered to conform to the new numbering system applied to other titles of the GAO manual, and other revisions have been made.

The delegation of authority to General Counsel to compromise, suspend, or terminate collection action on claims of GSA is contained in chapter 5 of ADM P 5450.39.

GSA Order ADM 1215.2A covers collection and compromise of claims. Paragraph 5 provides that claims in amounts between \$50 and \$20,000 be referred to the Office of General Counsel for approval of, or for compromise, or for suspension or termination of collection action when:

1. The central or regional office cannot collect the full amount claimed because of the debtor's inability or refusal to pay the full amount within a reasonable time.
2. There are doubts concerning the Government's ability to prove its case in court.
3. The cost of further collection action may exceed the amount of recovery.
4. The debtor cannot be located.

The actions taken by both the Credit and Finance Branch and the Office of General Counsel as to whether to compromise a claim or suspend or terminate collection action apparently is based on the criteria prescribed in paragraph 5 of GSA Order ADM 1215.2A. In indicating the reasons for referring claims to the Office of General Counsel for approval of, or for compromise, or for suspension or termination of collection action, paragraph 5 of GSA Order ADM 1215.2A, as shown above, combines "inability and refusal to pay" as "1," and lists "debtor cannot be located" as "4."

Section 103.2 of the Joint Standards provides that a claim may be compromised because of the debtor's inability to pay the full amount within a reasonable time or the refusal of the debtor to pay the claim in full and the Government's inability to enforce collection in full within a reasonable time by enforced collection proceedings. In addition, section 104.3 provides that the probability of liquidating the debt by enforced collection proceedings is a factor to be considered before terminating collection action.

The fact that a debtor cannot be located is not a sufficient basis for termination of collection action. Section 104.3(b) of the Joint Standards provides that collection action may be terminated because of inability to locate the debtor only when such inability is coupled with the conditions that no security remains to be liquidated; that the applicable statute of limitations has run; and that the prospects of collecting by offset, notwithstanding the bar of the statute of limitations, are too remote to justify retention of the claim.

The intent of section 104.3 was clarified by a letter addressed to the Secretary of the Army on May 27, 1968 (B-117604), copies of which were circulated to the heads of all departments and agencies for information and guidance. It was explained in the letter that, whenever collection action was terminated, a detailed documentation should be made to support the basis upon which the termination action was taken (see 4 CFR 102.11) and that claims which could not be terminated in accordance with the standards should be forwarded to GAO.

### CONCLUSIONS

We found no specific case evidencing an adverse effect on the Government collection effort resulting from (1) the GSA Office of General Counsel Handbook's making no reference to the Federal Claims Collection Act of 1966 and the implementing Joint Standards or (2) instructions' being so stated that a wrong interpretation was possible. Nevertheless, this could lead to debts' not being forwarded to GAO or to the Department of Justice for collection assistance and could result in possible loss of revenue to the Government.

Again, although we found no specific case evidencing an adverse effect on the Government collection effort, since there is no reference in GSA Order ADM 1215.2A and in the Credit, Finance and Insurance Handbook to title 4 of the GAO manual, in our opinion, such reference should be included. One of the purposes of this title is to prescribe the principles relating to administrative efforts to collect claims asserted by the Government and to prescribe the procedures controlling the reporting of such claims to GAO for adjudication and collection.

## RECOMMENDATIONS

We recommend that, to provide guidance to employees charged with making proper determinations:

1. The handbook of the GSA Office of General Counsel be revised to incorporate the provisions of the Federal Claims Collection Act of 1966, the Joint Standards, and current instructions in title 4 of the GAO manual.
2. Paragraph 1 of ADM 1215.2A and the Credit, Finance and Insurance Handbook make reference to title 4 of the GAO manual.
3. Clarifying language be incorporated in paragraph 5 of ADM 1215.2A.

## CHAPTER 4

### REVIEW OF DEBT CLAIMS OPERATIONS

To accomplish our evaluation of debt claims operations, we reviewed written procedures, interviewed operating employees, and examined cases under active collection and cases on which collection action had been terminated. Our review embraced collection activities in Regions 3, 9, and 10 as well as in the GSA Central Office and embraced delinquent non-Federal accounts receivable in the Federal Supply Service at Arlington. It did not encompass claims against common carriers.

#### CENTRAL OFFICE AND FEDERAL SUPPLY SERVICE

Amounts due the United States by defaulting contractors generally were recovered either by billing or deducting the amount from sums otherwise due the contractor. During the period October 1967 to July 1968, we noted that the General Counsel had approved the termination of collection action on three debt claims. Upon review we found this action to have been consistent with the requirements of the Joint Standards. Also other cases on hand in the central office appeared to have been handled effectively.

We likewise found collection action taken by the Federal Supply Service generally to have been satisfactory. Debt claims were terminated properly in accordance with the Joint Standards.

#### REGION 3

The Accounts Receivable Branch, the Credit and Finance Branch, and the Adjudication and Claims Section of the Accounts Payable Branch are in the Finance Division. Each of these has the basic responsibility for the collection of a designated class or designated classes of debts. When collection action by the Accounts Receivable Branch has been exhausted, the debt is referred to the Credit and Finance Branch which takes further collection action, including additional demands, if the circumstances so warrant.

If collection is not effected, debts under \$50 are written off by the latter branch.

A finding, in cases involving debts of \$50 or more, is prepared by the Credit and Finance Branch. Such finding is referred to Regional Counsel and/or General Counsel for approval, compromise, suspension, or termination of collection action. Generally, Counsel will issue additional demand letters. If Counsel determines that the debt should be reported to GAO, the file is returned to the Credit and Finance Branch for transmittal to GAO through the Adjudication and Claims Section.

Accounts Receivable Branch and  
Credit and Finance Branch

Both the Accounts Receivable Branch and the Credit and Finance Branch appear to process debts aggressively and without delay. In the examination of cases referred to the Regional Counsel by the Credit and Finance Branch during the period February 27 to October 28, 1970, improvements could be made in the following areas.

Available sources not utilized  
in locating debtors

By a memorandum dated May 14, 1970, the Credit and Finance Branch recommended that collection action be terminated in accordance with GSA Order ADM 1215.2A in several cases, because letters to the debtors had been returned by the Post Office marked "Moved, Left No Address." By memorandums dated September 22 and October 28, 1970, the indebtedness of two debtors in the amounts of \$119.30 and \$234.51 was referred to Regional Counsel for recommendation regarding the disposition to be made of the debts, because letters addressed to the debtors were returned by the Post Office marked "Unclaimed."

The Joint Standards provide that reasonable and appropriate steps be taken in all cases to locate missing parties. Section 104.2 of the standards lists the following sources which may be of assistance in locating missing debtors:



"Telephone directories; city directories; postmasters; drivers' license records; automobile title and license records; state and local governmental agencies; district directors of Internal Revenue; other Federal agencies; employers, relatives, friends; credit agency skip locate reports."

We noted that none of these sources had been utilized in an effort to locate the debtors.

#### Financial information not obtained

We noted several cases in which the Credit and Finance Branch had transmitted debt cases to Regional Counsel for possible compromise, suspension or termination of collection action, or referral of the indebtedness to GAO without first obtaining financial information concerning the respective debtors. Since financial information is a condition precedent to making an informed decision regarding future action to be taken, it is incumbent on the branches to obtain such information prior to referral of debt claims to Regional Counsel.

We discussed these matters with an official of the Credit and Finance Branch. He assured us that, in the future, locator action would be taken in accordance with the Joint Standards and that credit information would be furnished to Regional Counsel in all appropriate cases involving claims of \$200 or more.

#### Adjudication and Claims Section, Accounts Payable Branch

We examined 74 regular claims under collection and five cases on which collection action had been terminated by the Adjudication and Claims Section. We believe that improvements could be made in the following areas.

#### Demand letters not forceful

The initial demand is made by use of a collection voucher or by letter. We found the two follow-up letters to be weak in that they failed to inform the debtor of the consequences if he failed to pay. We believe that, when it

is likely that the debtor is doing business with other agencies of the Government and when the debt is \$200 or more, the initial follow-up letter should inform the debtor that his name may be added to the Army Hold-Up List unless settlement is made within a prescribed time. Also similar aggressive language should be used in other types of cases.

We found two cases involving former employees who apparently were employed by another Government agency. After available amounts were set off by GSA, letters which requested payment of the balance and which proved to be unsuccessful failed to inform the debtors that the matter was being referred to their employing agencies. In our opinion, informing a debtor that his debt may be referred to his employing agency frequently enhances the prospects of collection.

### Demand letter delays

Section 102.2 of the Joint Standards and paragraph 4e of GSA Order ADM 1215.2A provide that three written demands at 30-day intervals normally will be made upon a debtor for payment of a claim. We found 10 cases in which follow-up letters were not issued during the prescribed periods. An example of lack of timeliness may be seen in case No. 576-68 involving a debt of \$300. The debtor initially was billed on May 10, 1968. Follow-up letters were not issued until August 23 and October 22, 1968.

Another example is case No. 494-67 involving an indebtedness of \$1,438. The first demand was issued on May 4, 1967, but it was not until January 16, 1968, that the first follow-up letter was issued. The second follow-up letter was issued on October 14, 1968, some 17 months after the first demand. Moreover it was not until April 22, 1969, that the Army was requested to place the name of the debtor on the Hold-Up List. On June 26, 1970, more than 3 years after the date of the initial demand, the debt was referred to GAO for collection.

Demand letters were issued rather promptly during the period September 30, 1966, to January 26, 1967, in case No. 357-68 pertaining to a debt of \$795. In January the debtor requested verification of the charges. On March 30, 1967, the debtor questioned the amount determined to be due. No reply was made by the Adjudication and Claims Section until January 30, 1968, when the debtor was informed that the debt would be referred to General Counsel for legal action and that its name would be placed on the Hold-Up List.

It was not until June 25, 1968, however, that the Army was requested to add the name to the list. The Adjudication and Claims Section asked the Credit and Finance Branch on June 18, 1970, whether the debtor's name should be removed from the Hold-Up List and whether further action should be taken. As of November 1970, more than 4 years after the debt was established, the matter was still unresolved.

Case No. 35-67 involves a debt for \$1,395. The file contains a note dated March 27, 1967, which indicates that the case was under appeal. In accordance with our suggestion, on June 18, 1970, the Adjudication and Claims Section requested from the Procurement Operations Division information concerning the status of the appeal. This information had not been received as of November 1970. Thus a period of more than 3-1/2 years elapsed from the date of the note in the file.

Case No. 527-67 for \$4,260 also involved undue delay. The initial demand to the debtor was mailed on November 29, 1966. When its collection efforts were unsuccessful, the Adjudication and Claims Section, on December 18, 1967, requested assistance from the Assistant General Counsel, LP, in effecting collection. It requested also that General Counsel furnish information if collection action had been terminated. Almost 3 years after the case was referred to Counsel and in reply to an inquiry, Counsel advised that it had no record of the claim and at that time referred the matter to the Procurement Operations Division. The indebtedness has not been resolved even though over 4 years have elapsed since the date of the initial demand.

#### Internal setoff delays

If collection is not made after three demands, the Adjudication and Claims Section may request Accounts Payable to make a record of the debt for possible offset from amounts otherwise due a debtor. There is no set time period, however, for the Adjudication and Claims Section to ascertain whether setoff actually was made.

It appears to us that, if there is any indication that a setoff is possible, good business practices dictate that no more than 30 days be given the debtor to make satisfactory arrangements for liquidation of the debt. In addition, we believe that procedures should be developed for prompt notification of all setoffs.

Following are some examples. In case No. 229-69 the first demand was sent on February 11, 1969. The records were annotated for setoff on January 16, 1970. The claim was referred to GAO on July 23, 1970. The debtor in case

No. 62-69 was sent a demand letter on October 15, 1968. Its name was placed on the Army Hold-Up List on July 9, 1969, but it was not until March 23, 1970, that the account was referred to Accounts Payable for possible internal set-off. Partial setoff was made by another agency.

In another case, No. 453-69, the initial bill was issued on November 28, 1969. It was not until March 23, 1970, that this case was referred to Accounts Payable for possible internal setoff. As of November 1970 setoff had not been made and the case had not been referred to GAO.

#### Personal contact with local debtors not made

Section 102.4 of the Joint Standards and paragraph 4e of GSA Order ADM 1215.2A provide that agencies, having regard for the amounts involved and the proximity of agency representatives to such debtors, interview debtors when this is feasible.

We found two cases involving debtors located in Washington, D.C., in which personal contact had not been made. Employees in the Adjudication and Claims Section informed us that it was not their practice to telephone debtors. The general practice of not personally interviewing debtors, when feasible, is contrary to controlling regulations. Additionally we feel that the personal interview approach is a good business practice.

#### Failure to obtain financial information

Credit reports are obtained only on business concerns. Since knowledge concerning a debtor's present and prospective ability to pay is the foundation upon which future action on his debt is predicated, it is essential that reasonable attempts to secure such information be made early in the demand process. When administrative collection action on any debt amounting to \$200 or more is unsuccessful and when the debtor has not furnished adequate financial information, a commercial credit report should be obtained so that it can be determined whether the debt should be terminated or referred to GAO for further collection action. Whenever a debt is referred to GAO, it should be accompanied by all available credit information in possession

of the administrative agency. (See section 105.3 of the Joint Standards and 4 GAO 56.5(6).)

Claims terminated prematurely

We found three claims against former guards of GSA, each indebted in excess of \$100 by reason of failure to turn in uniforms. Amounts due debtors as final pay and/or from the Civil Service Retirement Fund were applied against the debts. The Adjudication and Claims Section terminated collection action on two of the cases upon failure of the debtors to respond to three demand letters. The third case was terminated after the initial demand letter was returned by the Post Office with the notation "Moved, Left No Address."

Locator action should have been taken regarding the third employee. Also, since the debts were in excess of \$50, approval by Regional Counsel for termination of collection action was required under GSA regulations.

Recommendations relating to  
debt claims operations,  
Adjudication and Claims Section, Region 3

We recommend that, to improve the section's collection procedures:

1. Follow-up letters contain more aggressive language. Initial demand letters to former employees presently employed by another Government agency should inform them clearly of the consequences of failure to make payment.
2. Controls be established to ensure timely (a) processing of demand letters, (b) placing of the name of the debtor on the Army Hold-Up List, and (c) initiating action for internal offset.
3. A closer liaison be maintained between the Adjudication and Claims Section and other activities within GSA when collection action is suspended by that section pending receipt of advice from the other activity.

4. Personal or telephone contact be made with local debtors whenever practicable.
5. Credit reports be obtained on individual debtors if adequate financial information is not furnished by the debtor and if the amount of the debt is \$200 or more.

## OFFICE OF REGIONAL COUNSEL

Under GSA Order ADM 1215.2A and chapter 5, paragraph 1, of ADM P 5450.39 Regional Counsel is charged with the responsibility for compromising, suspending, terminating collection action, or referring to the Department of Justice or GAO, as appropriate, any debt between \$50 and \$2,000 which is uncollectible by the Finance Division.

During November and December 1970, we attempted to ascertain the disposition made by Regional Counsel of claims referred there by the Credit and Finance Branch and the Adjudication and Claims Section. In addition, we discussed with responsible employees collection procedures required under the Joint Standards and title 4 of the GAO manual. We noted the following opportunities to improve procedures.

### Timeliness in making disposition of claims

The older the claim the more difficult it is to effect collection. The Joint Standards recognize this by prescribing prompt referral to GAO so that timely action may be instituted. Consequently since Counsel is responsible for making final determinations regarding the disposition of debts, it is imperative that claims determined to be uncollectible be promptly forwarded by the Finance Division and that Counsel take prompt action thereon.

On a number of occasions we noted substantial delays in the Office of Regional Counsel in disposing of cases referred for action. For instance, the Credit and Finance Branch was unsuccessful in collecting from 19 debtors amounts ranging from \$54.89 to \$335.10. These debts were referred during the period February 27 to October 28, 1970, for recommendations concerning their disposition. Despite follow-up inquiries by the Credit and Finance Branch, we were advised informally that, as of March 17, 1971, no written recommendations had been received.

Other examples of undue delays involve two claims referred to the Office of Regional Counsel by the Adjudication and Claims Section. Case No. 70-68 for \$1,925 was referred on August 16, 1967, and case No. 576-68 for \$300 was referred on December 23, 1968. As of November 1970 neither of these cases had been resolved.



It is the practice of operating employees in the Office of Regional Counsel to prepare individual monthly reports of pending claims and litigation cases. The form includes the target date. It appears that a more aggressive follow-up procedure is required to ensure the expeditious handling of claims.

#### Failure to explore feasibility of compromise

We were informed that it was not the policy of the Office of Regional Counsel to solicit compromises. Section 102.9 of the Joint Standards requires agencies to attempt to effect compromises in all cases in which it can be ascertained that the debtor's financial ability will not permit collection of the claim in full or when litigative probabilities and/or the costs of litigation dictate such action. The policy not to explore the feasibility of a compromise after demands for full recovery have failed conflicts with the controlling statutory regulations.

Employees in the Office of Regional Counsel appeared to lack familiarity with the Joint Standards and title 4 of the GAO manual. The consensus seemed to be that only doubtful debt claims should be referred to GAO; otherwise claims were to be forwarded to the Department of Justice.

Following is an example. An individual was indebted in the amount of \$1,739 arising from his purchase of office machines under contract GS-03-DP-(S)-0-1950. In the course of collection action, the debtor was informed that the matter would be referred to the U.S. attorney if payment was not made. When we were told that the claim would be so referred, we explained that, in accordance with 4 GAO 56, it should be referred to GAO rather than to the U.S. attorney. The claim was referred to the Claims Division, GAO, in January 1971.

#### Recommendations relating to debt claims operations, Office of Regional Counsel

We recommend that, to improve debt collection operations, procedures be established to ensure:

1. More expeditious handling of claims, particularly those of amounts of \$200 or more.
2. Expeditious referral to the Claims Division, GAO, of administratively uncollectible debt claims amounting to \$200 or more.
3. Exploration of the feasibility of compromises in appropriate cases.

## REGIONS 9 AND 10

On the basis of our review of claims on which collection action had been taken, we concluded that the administration of claims operations generally was satisfactory. We offer, however, the following comments on several matters encountered during our review.

### Failure to place name of debtor on Hold-Up List

We learned that Region 9 had not been furnishing the names of indebted contractors, in accordance with 4 GAO 61.2, to the Army for inclusion on the Army Hold-Up List when debts were reported to GAO as uncollectible. GSA assured us that, in the future, this procedure would be followed. We previously commented on the failure of various activities of GSA to utilize the Hold-Up List for possible setoff of amounts due other agencies.

### Failure to set off reinspection, retest, and lost time charges

We examined some 300 GSA quality control files and noted that, in 12 of the 300, contractors should have been assessed reinspection, retest, or lost-time charges. We verified that, in six of the 12 files, charges amounting to \$319 had not been set up for offset by Accounts Payable employees, apparently through clerical oversight. The operating official informed us that he would stress the need for a more careful review to ensure offset of the required charges.

### Failure to set up excess costs on defaulted contracts

We verified that, from January 1, 1967, through February 28, 1969, 28 contract cases were terminated in which excess costs were involved because of replacement contracts. Excess costs had been collected or claims had been established in only 13 of these cases. In 15 having a value of \$17,367, however, no amounts had been collected and no claims had been established against the contractors involved. It was apparent that Accounts Payable employees had not

recognized or followed up on potential claims for excess costs. Claims for the 15 cases have now been set up for possible offset, and new procedures have been issued to ensure the recognition and establishment of claims when there are excess costs.

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