

GAO

United States General Accounting Office  
Report to Congressional Requestors

July 1991

# DEBT MANAGEMENT

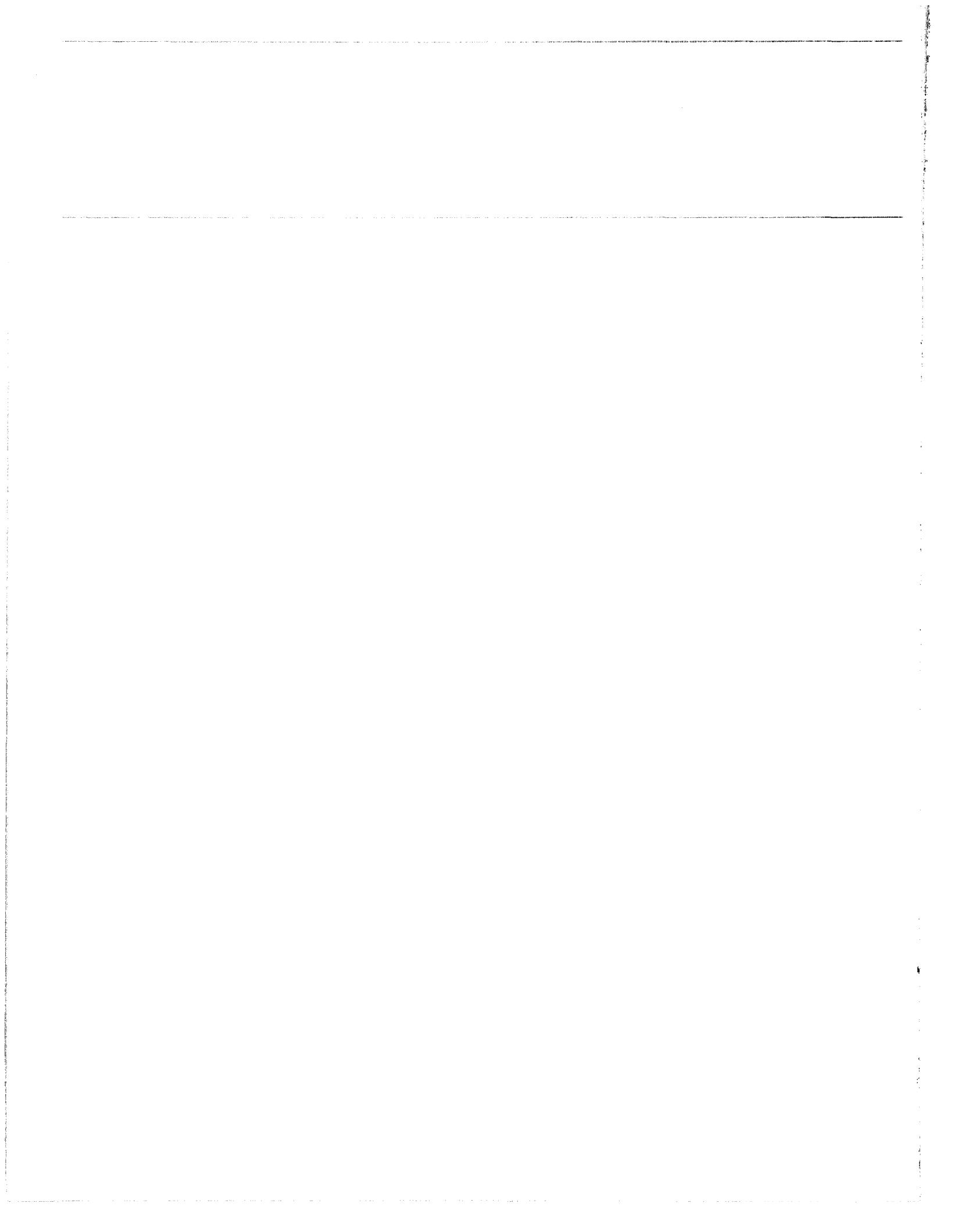
More Aggressive  
Actions Needed to  
Reduce Billions in  
Overpayments



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**Human Resources Division**

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July 9, 1991

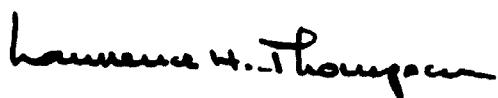
**The Honorable J.J. Pickle  
Chairman, Subcommittee on Oversight  
Committee on Ways and Means  
House of Representatives**

**The Honorable William M. Thomas  
House of Representatives**

In response to your request, this report discusses debt management practices at the Social Security Administration, Railroad Retirement Board, Office of Personnel Management, and Department of Veterans Affairs.

As arranged with your offices, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days after the date of this letter. At that time, we will send copies to the appropriate House and Senate Committees and Subcommittees; interested Members of Congress; the Commissioner, Social Security; the Office of Management and Budget; and other interested parties.

This work was carried out under the general direction of Joseph F. Delfico, Director, Income Security Issues (202-275-6193). Other major contributors are listed in appendix III.



**Lawrence H. Thompson  
Assistant Comptroller General**

# Executive Summary

## Purpose

Over the past decade, both GAO and the Office of Management and Budget (OMB) have issued reports detailing serious, long-standing problems with the government's debt collection practices. Billions of dollars in overpayments have been delinquent, and millions have been written off as uncollectible. Though some progress has been made, debt owed the federal government continues to mount. As of September 30, 1989, the Office of Personnel Management (OPM), the Railroad Retirement Board (RRB), the Social Security Administration (SSA), and the Department of Veterans Affairs (VA) reported outstanding overpayments totalling \$2.9 billion.

Because of its concern over the increasing debt owed the federal government, the Subcommittee on Oversight, House Ways and Means Committee, asked GAO to assess the effectiveness of SSA efforts to improve its collections of overpayments. The Subcommittee also asked that GAO collect information on the debt management practices of such large benefit-paying agencies as OPM, RRB, and VA.

## Background

Overpayments occur when people receive payments to which they are not entitled. When not recouped, such overpayments result in taxpayers' financing unwarranted program expenses.

In recent years, OMB and the Congress have tried to (1) focus agencies' attention on debt management and (2) provide them with more effective debt management tools. Such tools include assessing interest and penalties, as well as offsetting federal income tax refunds. SSA, however, to a large extent, has been excluded from the statutes authorizing these tools.

## Results in Brief

During the past 4 years, SSA's overpayment collections have remained a constant 28 percent of outstanding debt. SSA has written off almost a billion dollars of debt as uncollectible, making little progress in increasing the percentage of debt collected because it

- lacks an organizational focus for debt management,
- has insufficient information to control and account for the more than \$2 billion in overpayments,
- does not adhere to debt collection policies, and
- has been legally restricted from using certain collection methods that have been successfully used by other agencies.

GAO believes that if SSA is to have a more effective debt management program, responsibility for this program should be centralized in the office of the deputy commissioner for finance, assessment, and management. Other improvements should be made.

During each of the past 4 years, RRB collected about 55 percent of its total outstanding overpayments, OPM about 55 percent, and VA about 30 percent. OPM and VA were not using all the collection methods required by law. The use of these methods, in GAO's view, should enable OPM and VA to increase their overpayment collections.

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## **Principal Findings**

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### **SSA's Fragmented Organization Impedes Effective Debt Management**

In response to an earlier GAO recommendation, SSA created the office of chief financial officer in 1987, but did not centralize debt management responsibility in this office. Of the six deputy commissioners, five share responsibility for debt management. No one group is accountable for establishing and ensuring the accomplishment of goals or provides the high-level emphasis and oversight SSA needs to develop and conduct a more effective debt management program. (See p. 16.)

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### **SSA Lacks Needed Management Information**

SSA lacks the needed information to effectively and efficiently manage debt collection activities. For example, data are not being collected on the characteristics of the debt workload, such as the age and amount of debt; the costs of collection practices by type, program, or case; and the effectiveness of recovery tools. (See p. 18.)

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### **SSA's Recovery Practices Are Weak and Ineffective**

Policies and procedures—governing the timely recovery of overpayments, the use of appropriate repayment plans, and the use of consumer credit bureaus to locate missing debtors—are not being followed. Although the Department of Treasury policy, which applies governmentwide, requires that action be taken within 30 days of the initial notice of overpayment to collect a debt, SSA allows from 90 to 150 days to pass after this notice of overpayment before contacting the debtor. (See p. 19.)

Both SSA and Treasury policy require that debts be repaid in a lump sum. If this is not possible, installment agreements can be arranged,

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allowing payments from 12 to 36 months. GAO found that most debts are repaid under installment agreements, and over 40 percent of the agreements exceed the maximum time allowed. The average repayment period was 51 months. (See p. 20.)

SSA does not use consumer credit bureaus to locate delinquent debtors, even though this is also recommended by Treasury's policy. The HHS inspector general said that credit-reporting agencies could have helped SSA collect about \$52.4 million in overpayments from about 45,000 former beneficiaries whose debts were written off as uncollectible. (See p. 20.)

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**SSA Needs to Establish Debt Collection Goals**

SSA has not set separate goals for the recovery of overpayments made to former beneficiaries. Instead, the present debt collection goal is a general goal, applicable to the recovery of debts owed by both former and current beneficiaries. This reduces SSA's ability to measure the effectiveness of efforts to recoup overpayments from former beneficiaries. (See p. 21.)

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**Legislative Exclusions Impede SSA Collections**

SSA's Retirement, Survivors, and Disability Insurance (RSI) program overpayments are exempt from the Debt Collection Act of 1982. This law authorizes other federal agencies to use such collection methods as assessing interest and penalties, as well as using private collection agencies. (See p. 21.)

Under the Deficit Reduction Act of 1984, SSA is permitted to use the tax refund offset to collect Supplemental Security Income program overpayments, but it has not done so. SSA plans to implement this collection tool in tax year 1992. Until 1990, SSA was precluded from using this tool to collect RSDI overpayments.

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**OPM and VA Can Do More to Collect Delinquent Debt**

OPM, RRB, and VA have had differing success rates in collecting overpayments. GAO did not attempt to determine whether these differences were due to the way the agencies were organized for, and the priority assigned to, debt management. GAO determined, however, that OPM is not collecting debts through deductions from income tax refunds, as required by the Deficit Reduction Act; in addition, VA is not assessing debtors' interest and administrative costs, as required by the Veterans Rehabilitation and Education Amendments of 1980. (See p. 24.)

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## **Recommendations**

GAO recommends that the Commissioner of Social Security (1) assign central responsibility for debt management to the office of the deputy commissioner for finance, assessment, and management; (2) expedite completion of the automated management information system needed to support effective debt management; (3) enforce compliance with applicable debt collection policies and procedures; and (4) establish specific dollar collection goals for recovering debt owed by former beneficiaries.

GAO recommends that the Director, Office of Management and Budget, direct that (1) VA assess interest and administrative costs on overpayments, as required by the Veterans Rehabilitation and Education Amendments of 1980, and (2) OPM collect overpayments through deductions from taxpayer income tax refunds, as required by the Deficit Reduction Act.

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## **Agency Comments**

GAO requested written comments from the four agencies. OPM agreed with the recommendation and plans to use the tax refund offset to collect overpayments. RRB agreed with the report findings and conclusions. The full text of both agencies' comments are included as appendix III.

Although SSA and VA did not provide written comments within the required period, GAO discussed the report with them and incorporated their views as appropriate.

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**Abbreviations**

BFO	Bureau of Fiscal Operations
CFO	chief financial officer
DCFAM	deputy commissioner for finance, assessment, and management
FCCS	federal claims collection standards
FMS	Financial Management Service
IBFS	interim billing and follow-up system
IG	inspector general
IRS	Internal Revenue Service
OMB	Office of Management and Budget
OPM	Office of Personnel Management
PSC	program service center
RRB	Railroad Retirement Board
RSDI	Retirement, Survivors, and Disability Insurance
SSA	Social Security Administration
SSI	Supplemental Security Income
VA	Department of Veterans Affairs

# Introduction

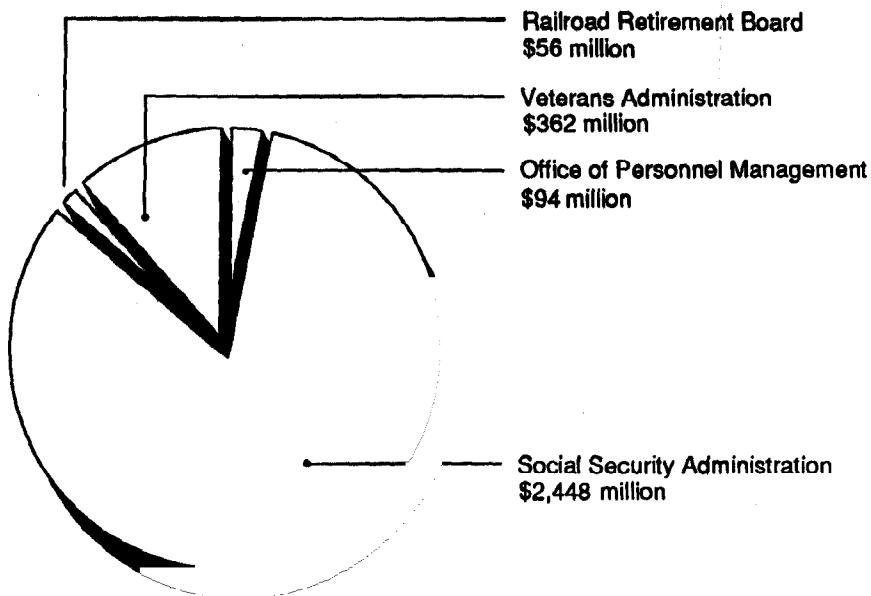
The Chairman of the Subcommittee on Oversight, House Ways and Means Committee, together with Representative William M. Thomas, requested that we assess the effectiveness of Social Security Administration (SSA) efforts to improve its collections of overpayments. In addition, the requesters asked us to provide information on the debt management practices of other federal agencies. We agreed to (1) collect such information for the Office of Personnel Management (OPM), the Railroad Retirement Board (RRB), and the Department of Veterans Affairs (VA) and (2) provide statistical information on their overpayment collections for fiscal years 1986 through 1989. The requesters also asked that we determine the feasibility of making SSA death information available to other federal agencies, which we reported on separately in February 1991.<sup>1</sup>

For a variety of reasons, substantial amounts of overpayments can occur when people receive program benefits to which they are not entitled. For example, (1) agencies make errors in computing benefit amounts because of complex benefit formulas and (2) beneficiaries fail to promptly or accurately (or both) report events—such as changes in income subject to Social Security earnings limitations or in living arrangements—that affect their eligibility or benefit amounts.

As of September 30, 1989, OPM, RRB, SSA, and VA reported debts, totalling \$2.9 billion, due from overpaid people. A breakdown of the overpayments owed each agency at the end of fiscal year 1989 is shown in figure 1.1.

<sup>1</sup>Federal Benefit Payments: Agencies Need Death Information From Social Security to Avoid Erroneous Payments (GAO/HRD-91-3, Feb. 6, 1991)

**Figure 1.1: Overpayments Owed Each Agency (Fiscal Year 1989)**



## Efforts to Improve Debt Management

During the last decade, several actions were taken to address the federal government's longstanding debt management problems. In 1980, VA was given a specific statutory mandate to assess interest and administrative costs on overpayments made to program beneficiaries. In 1981, the Reagan administration made debt collection a management priority, requiring each executive agency to develop and implement a debt collection program.

The Debt Collection Act of 1982 generally requires federal agencies, except SSA, to charge interest, penalties, and administrative costs on delinquent debts. The act also allows federal agencies to report delinquent debtors to credit bureaus, use private collection agencies to collect debts, and make deductions from federal employees' salaries for repayment of debts. The Deficit Reduction Act of 1984 generally requires that to collect overpayments, deductions be taken from federal income tax refunds. Although the act does not authorize SSA use of this method to collect overpayments from recipients of the Retirement, Survivors, and Disability Insurance (RSI) program, the act does authorize SSA use of this method to recover Supplemental Security Income (SSI) overpayments.

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In May 1985, the Office of Management and Budget (OMB) issued Circular A-129, Managing Federal Credit Programs, which includes guidance on servicing accounts, collecting delinquent debts, and writing off uncollectible debt.

In 1986, the Financial Management Service (FMS), within the Department of the Treasury, was designated as the lead agency responsible for the government's credit and debt management policies. FMS assists federal agencies in implementing debt collection policies as well as accounting and management information systems that are needed to carry out the provisions of the Debt Collection Act and Circular A-129. FMS issued standards and guidelines on credit management and debt collection activities, which are to be followed by all agencies, unless covered by other acts. These standards and guidelines are consistent with the requirements of OMB Circular A-129, the Debt Collection Act of 1982, and the federal claims collection standards (FCCS). These standards, which are jointly prepared by the Department of the Treasury and GAO, provide criteria for agencies to follow in collecting, compromising, and terminating debts owed the federal government.

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## **Importance of Collecting Overpayments**

When overpayments owed the federal government are not repaid or when repayment is late, the government loses the current use of such funds; the government also loses because of an increase in bad debt, resulting in additional expenses for collecting overpayments and additional interest expenses for servicing the debt. In addition, when overpayments are not collected, the government may send a message to other debtors that repayment can be avoided and, consequently, fewer people may pay back voluntarily. Such a practice is unfair to taxpayers—who, in effect, must pay the bill in higher taxes—and to those who pay their debts.

Since 1979, we have issued over 40 reports stressing the need for improved debt collection in the federal government (see Related GAO Products). For example, in February 1979, we reported that when compared with commercial practices, the government's collection methods were slow, expensive, and ineffective.<sup>2</sup> In March 1981, we estimated that strengthened debt collection could save billions of dollars.<sup>3</sup> In April

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<sup>2</sup>The Government Can Be More Productive in Collecting Its Debts by Following Commercial Practices (GAO/FGMSD-78-59, Feb. 23, 1979).

<sup>3</sup>Improved Administrative Practice Can Result in Further Budget Reductions (GAO/PAD-81-69, Mar. 30, 1981).

1983, we reported that increased focus on debt collection resulted in improved collection practices and increased collections, but we also emphasized the need for continued oversight by OMB and the Congress to ensure that debt collection receives high priority.<sup>4</sup>

We also issued several reports on the actions taken to address the federal government's high level of delinquent debt. For example, in May 1989, we reported that although some progress had been made in implementing the Debt Collection Act of 1982, the increasing amount of debt indicated a need for further improvement. Delinquent debt had increased from \$15 billion in 1982 to \$32 billion by fiscal year 1989.<sup>5</sup> In April 1990, we reported on the progress of several federal agencies in using the debt collection practices authorized by the Debt Collection Act as well as OMB and Treasury guidance. We found that while the agencies we reviewed had generally been successful in implementing the Internal Revenue Service (IRS) programs for income tax refund offsets, limited progress had been made in assessing interest and penalties on delinquent debt.<sup>6</sup> Both reports point out that because of the huge federal budget deficit and the continued growth in debt, federal agencies must continue their efforts to recover debts owed the federal government.

In this assignment, we reviewed SSA's management of its debt collection program to determine why the agency has made little progress in correcting debt management problems identified by GAO as far back as 1979. Most of our previous work concentrated on why overpayments occur.

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## **Scope and Methodology**

To assess the effectiveness of SSA's debt management program, we (1) interviewed officials responsible for the agency's debt management policies, automated data-processing systems, and collection practices and (2) reviewed the agency's policies, procedures, and systems used for collecting overpayments. We observed the collection practices and techniques used by program service center (PSC) and field office staff; we also reviewed various documents, management reports, and studies on

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<sup>4</sup>Significant Improvements Seen in Efforts to Collect Debts Owed the Federal Government (GAO/AFMD-83-57, Apr. 28, 1983).

<sup>5</sup>Managing the Government: Revised Approach Could Improve OMB's Effectiveness (GAO/GGD-89-65, May 4, 1989).

<sup>6</sup>Credit Management: Deteriorating Credit Picture Emphasizes Importance of OMB's Nine-Point Program (GAO/AFMD-90-12, Apr. 16, 1990).

how well SSA controls and collects overpayments. In addition, to determine what audit findings remain unresolved, we reviewed our past reports and numerous inspector general reports dealing with SSA's debt management.

We did our SSA field work at its headquarters in Baltimore, Maryland; 10 of 1,300 field offices in three SSA regions (Dallas, Kansas City, and San Francisco); and two of six PSCs—Kansas City (Missouri) and Richmond (California).

We discussed SSA's debt management practices and weaknesses with FMS officials because of their central role in federal government debt collection. We also (1) reviewed the debt collection guidance provided by OMB, Treasury, and the FCOS and (2) compared SSA's collection practices with these standards and guidelines where applicable.

We interviewed appropriate officials and examined relevant documents to obtain information on the organizational structure for collecting debt and for debt management practices at OPM, RRB, and VA. As agreed with the Subcommittee's staff, we did not review agency debt management programs in detail. We obtained information on the amount of overpayments made and recovered by these agencies to document their performance in overpayment recovery. We limited our work at VA to the compensation and pension programs.

Because of the differing levels of review, we did not compare SSA with OPM, RRB, and VA. We also did not verify the accuracy of the data provided by OPM, RRB, SSA, and VA on the dollar amounts of overpayments and collections. We did our work from May through December 1989 in accordance with generally accepted government auditing standards.

OPM and RRB gave written comments on a draft of this report. Their comments are included in appendix II.

We requested written comments from SSA and VA, but none were provided. However, we discussed the report with SSA and VA officials and incorporated their views as appropriate.

# Better Management and Accountability Needed to Improve SSA's Overpayment Collections

SSA has had long-standing problems in controlling and collecting overpayments made to program beneficiaries. Although these debt management problems have been reported by GAO since 1979, SSA has placed a low priority on correcting them and, consequently, little progress has been made toward increasing collections. These have remained at about 28 percent over the 4-year period 1986-89. During this period, SSA wrote off almost a billion dollars of its debt as uncollectible.

SSA's inability to collect a higher percentage of its overpayments can be attributed, in part, to the agency's (1) lack of emphasis on debt collection, (2) organization, which fragments responsibility for debt management, and (3) legal restrictions on using certain collection methods that have been successfully used by other agencies. A single manager, responsible for all debt management activities, is needed to provide the emphasis, policy direction, leadership, and oversight essential to the development and conduct of an effective debt management program.

We recognize that the use of more aggressive collection practices may appear to conflict with SSA's goal of providing courteous, dignified, and sensitive public service. In fact, the agency was criticized for making overzealous collection efforts in the early 1980s. But paying out \$240 billion to 39 million beneficiaries also confers a special fiduciary responsibility to effectively manage and maintain the integrity of the Social Security Trust Funds. Overpayments that remain uncollected require that replacement income be generated to pay benefits, thereby placing a greater burden on taxpayers. In addition, the Trust Funds lose interest income on overpayments that remain outstanding because of lower fund balances to invest in U.S. Treasury securities. Both concerns can be addressed if SSA operates an efficient and effective debt collection program.

## Historical Problems in SSA's Debt Management

For at least the past 10 years, SSA has had problems in managing and collecting overpayments. While some improvements have been achieved, many of these problems continue because SSA has not placed the needed emphasis on debt management. The current debt management problems are the same as those we identified in our 1979 reports on SSA's overpayment recovery process for RSDI and SSI programs.<sup>1</sup> In those reports, we noted the following weaknesses:

<sup>1</sup>Social Security Should Improve Its Collection of Overpayments to Supplemental Security Income Recipients (GAO/HRD-79-21, Jan. 16, 1979); Social Security Administration Should Improve Its Recovery of Overpayments Made to Retirement, Survivors, and Disability Insurance Beneficiaries (GAO/HRD-79-31, Jan. 17, 1979).

- fragmented responsibility for managing and collecting overpayments,
- insufficient managerial attention to overpayment recovery,
- untimely and inconsistent use of collection procedures,
- ineffective and inefficient collection methods, and
- insufficient information for managers to evaluate recovery efforts.

Over the years, SSA has made some efforts to improve its debt management program. In March 1981, SSA expanded efforts to deal with its fragmented approach to debt management by establishing uniform policies, procedures, and practices for debt collection. Further, a debt management project team was formed to identify and document the design requirements for an automated debt management system. In 1984, debt collection units were established in the six PSCs to locate and follow up on delinquent debtors and resolve debt as quickly as possible.

In our 1987 management report, we recognized that SSA had made some progress in improving its automated debt collection systems by implementing the interim billing and follow-up system (IBFS) for RSDI and SSI overpayments.<sup>2</sup> This system provided much needed improvement through its monthly billings, better remittance processing, and follow-up for delinquent debts. But this system did not (1) provide information on the age of debts and changes in account status or (2) post activities to financial ledgers. As such, this system did not meet SSA's total debt collection needs. We reported that SSA's financial management problems were exacerbated by a fragmented organizational structure and the absence of a high-level focal point for financial management. Thus, we recommended that SSA establish the office of chief financial officer (CFO) to provide the leadership needed to solve its financial management problems, including those associated with debt management.

In a 1989 follow-up study to our management report,<sup>3</sup> we found that in response to our early recommendations, SSA had established an office of the CFO, but the office was not given full responsibility for debt management. We said that improvements continued to be needed in several key financial management areas, including developing and implementing an effective debt management system. We concluded that SSA may need to focus responsibility for debt management in a single component, but we

<sup>2</sup>Social Security Administration: Stable Leadership and Better Management Needed to Improve Effectiveness (GAO/HRD-87-39, Mar. 1987).

<sup>3</sup>Social Security: Status and Evaluation of Agency Management Improvement Initiatives (GAO/HRD-89-42, July 1989).

decided to examine SSA's progress and problems in more detail before making firm recommendations.

Others have also identified weaknesses in SSA's debt management program. The Department of Health and Human Services inspector general (IG) has issued numerous reports over the past few years identifying problems similar to those we identified in SSA's overpayment recovery process. For example, in a 1985 report, the IG found that over \$13 million in overpayments could have been recovered from beneficiaries who were currently receiving benefits, but SSA had not followed required recovery procedures. In a 1987 report, the IG noted that SSA lacked a consolidated and uniform debt management system to provide adequate financial accounting for all overpayment transactions.

In its 1988 Financial Integrity Act report, the Department of Health and Human Services found that SSA had several weaknesses in its internal control and accounting systems that, among other things, hindered SSA's ability to carry out its debt management responsibilities.

## Limited Success in Collecting Overpayments

SSA's overall performance in collecting overpayments has improved little over the past 4 years. Overpayment collections have stayed constant during this period, at about 28 percent of outstanding debt. The total overpayments outstanding, as well as amounts collected and written off, for fiscal years 1986-89 are shown in table 2.1.

**Table 2.1: SSA Overpayments, Collections, and Write-Offs (1986-89)**

Dollars in millions

Overpayment activity	Fiscal years							
	1986		1987		1988		1989	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Outstanding at beginning of year	\$2,423	a	\$2,226	a	\$2,316	a	\$2,300	a
New	1,001	a	1,320	a	1,393	a	1,489	a
<b>Total</b>	<b>\$3,424</b>	<b>a</b>	<b>\$3,546</b>	<b>a</b>	<b>\$3,709</b>	<b>a</b>	<b>\$3,789</b>	<b>a</b>
Collection	\$958	28	\$1,003	28	\$1,048	28	\$1,072	28
Written off	\$239	7	\$228	6	\$229	6	\$269	7

Note: Total overpayments do not include overpayments to deceased beneficiaries because of accounting system deficiencies.

<sup>a</sup>Not applicable.

The amounts in table 2.1 reflect collection rates for all overpayments, including those owed by beneficiaries who continue to receive benefits.

Such overpayments are usually collected by reducing future benefits, resulting in a high percentage of recovered benefits. However, according to a study by the CFO in 1989, at any given time, about \$470 million was owed to SSA by overpaid beneficiaries who were no longer receiving benefits, such as widows who remarried or those no longer meeting SSI program eligibility requirements. Of this amount, about \$375 million was estimated to be delinquent because no payment or other action had occurred for at least 90 days. SSA recovers only about 15 percent of debt owed by former beneficiaries; as this debt becomes delinquent, the recovery rate drops to about 8 percent.

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## **Fragmented Structure Impedes Resolution of Debt Management Problems**

Debt management activities are diffused throughout SSA. This fragmented structure does not provide the leadership, focus, and accountability needed to effectively solve debt management problems. As a result, debt management has been relegated to a low priority; efforts to improve its effectiveness, in response to recommendations by GAO and others, have been slow and ineffective. A single organization responsible for all aspects of debt management, reporting to a high-level official in the agency, is needed to assure that the program is operated economically and effectively. Because debt management is essentially a financial management function, we believe the deputy commissioner for finance, assessment, and management (DCFAM)—who is SSA's CFO—should be centrally responsible for carrying out the function.

SSA is organized around six functional areas: programs; policy and external affairs; operations; finance, assessment, and management; human resources; and systems. Each area is headed by a deputy commissioner (see app. I, p. 32). Of the deputy commissioners, five have some debt management-related functions, as follows:

- The DCFAM is responsible for establishing SSA's overall debt detection, collections, and clearance goals; monitoring and periodically reporting on the status of debt detection and clearance; and developing recommendations to improve debt collections.
- The deputy commissioner for operations is responsible for identifying and collecting debt, evaluating compliance with debt management policy, and assigning dollar goals to each of the components involved in debt collections.
- The deputy commissioner for programs is responsible for the policies and procedures used by the debt collection units in the PSCs for collecting overpayments.

- The deputy commissioner for policy and external affairs is responsible for liaison with other federal and state agencies in order to acquire data needed to identify and collect overpayments.
- The deputy commissioner for systems is responsible for developing management information requirements for debt collection systems.

Under such a structure, decision making is slowed; pinpointing accountability for programs, activities, and problems is difficult; and working relationships are blurred.<sup>4</sup> Moreover, the various components must coordinate and cooperate with each other to achieve objectives. While this is necessary to some degree in any organizational structure, it is true to a greater extent in a fragmented structure. With no single person or organization accountable for all debt management activities, SSA lacks an effective integrating mechanism to assist in getting the necessary cooperation and coordination to resolve problems, set priorities, and assure that debt management and related problems receive the needed attention.

The diffusion of responsibility for debt management impairs the effectiveness of SSA's efforts to recover overpayments. In SSA's six PSCs, collection units under the deputy commissioner for operations are responsible for overpayment recovery. Our work shows, however, that the 1,300 field offices are still involved in recovery efforts; these offices place a low priority on overpayment recovery because their basic mission is to serve the public by paying claims and making account adjustments. At the 10 field offices we visited, officials said they (1) have little time to devote to overpayment recovery following the staff cuts of the 1980s, (2) view recovery as contrary to their primary responsibility of serving the public, and (3) give a higher priority to achieving public service goals for which they are held accountable.

Further, the recovery personnel at field offices are not adhering to SSA's policies and procedures governing overpayment recovery. For example, SSA's procedures require at least one face-to-face contact with the debtor before ending collection efforts. The procedures also indicate that telephone and mail contact are acceptable, when necessary, but mail should be used only when it is not feasible to make contact in person or by telephone. We found that, generally, the field offices send one letter requesting repayment and do not attempt face-to-face contact. Of the 10 field offices we visited, only 1 made personal contact with the debtor before ending collection efforts.

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<sup>4</sup>Social Security Administration (GAO/HRD-87-39, Mar. 1987).

Given SSA's limited success in increasing collections over the past 4 years, there are several operational improvements that it needs to make, including (1) developing the management information essential to control and account for the more than \$3.5 billion in overpayments, (2) being more aggressive in collecting overpayments from debtors who no longer receive benefits but can afford to repay, and (3) establishing specific collection goals for debts owed by former beneficiaries. These problems are the same ones we have reported on since 1979. Under SSA's fragmented organizational structure for debt management, these problems have not received the needed attention.

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**Lack of Management Information**

SSA's management information system does not provide the type of information SSA needs to effectively manage debt collection activities, particularly those debts owed by people no longer receiving benefits. Data are not being collected on the characteristics of the debt workload and the efficiency and effectiveness of recovery processes. SSA considers this information essential to determine (1) the status of its debt collection activities, (2) whether present methods of collecting debt are cost-effective or need to be altered, (3) where it can best direct its efforts to maximize recovery, and (4) what debts should be written off.

For the past 8 years, SSA has attempted to develop an automated debt management system that will (1) identify debt by debtor, (2) track payments against overpayments, (3) age debt, and (4) provide other cost and benefit information necessary to effectively and efficiently manage debt collection efforts. Despite spending more than \$7 million on systems design and development, SSA still does not have the needed automated system to control and account for its overpayments. In fact, SSA projects that such a system is, at best, several years away. Until then, for controlling and recouping overpayments, SSA will rely on an interim debt collection system, the IBFS, and several program-specific systems.

The IBFS is a billing and control system that tracks both RSDI and SSI overpayments. But the system does not meet SSA's management information needs. For example, IBFS cannot age debts, control changes in the status of an overpayment, post collection activities to SSA's accounting records, provide an adequate audit trail of previous collection actions, or maintain historical information on debts deleted from the system for future collection actions. In addition, IBFS does not provide data, by type, program, or case, for the cost of conducting collection activities.

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Without this type of data, SSA's collection managers cannot determine (1) the number of cases that could be recovered through adjusting future benefits, (2) the balance of those cases being recovered through installment agreements, (3) how many debtors are delinquent in payments, or (4) how many cases are several years old with no recoveries to date or have had only limited efforts used to recover the overpayments. This type of data, in turn, would provide SSA's managers a better measure of the recovery problem and allow them to focus their attention on the oldest and most problematic debts.

Further, IBFS does not provide the data necessary for SSA managers to determine the effectiveness of various collection techniques. For example, at the PSCs we visited, we were unable to determine the most cost-effective technique—IBFS collection letters to the debtor or telephone or face-to-face contact with the debtor. We found that routine reports prepared by the debt collection units do not provide this information, and such detailed information is not produced by IBFS, debt collection officials said.

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**Recovery Practices  
Are Ineffective**

Policies and procedures governing the expeditious recovery of overpayments, the use of lump sum or installment repayment plans, and the use of consumer credit bureaus to locate missing debtors are not being properly used. Their proper use could help improve the recovery of the \$470 million owed to SSA by former beneficiaries. Of this amount, according to the CFO, SSA currently collects only about \$73 million.

The time between the identification of a debt and efforts to contact the debtor is too long. SSA does not consider a debt delinquent until it is 90 days past due; the agency may allow as much as 150 days to pass between the date that the initial notice of overpayment was sent and the first attempt to make telephone contact with the debtor. According to FMS officials, one of the key factors for successful debt collection is to establish contact with the debtor as soon as possible after the debt occurs. Further, the FCCS, applicable to SSA, define a debt as delinquent if it has not been paid by the date specified in the initial notice of overpayment (and in the case of SSA, within 30 days of the notice). The FCCS require that each agency take aggressive action on that date and suggest the use of personal contact.

SSA would have a better opportunity for recovery if it made personal contact with the debtor within 30 days after the initial notification of

overpayment. The information SSA obtained from the American Collectors Association indicates that after 6 months of no contact with the debtor, there is a 50-percent reduction in the chance of collecting a past-due debt; as more time goes by, the rate of collection decreases even more.

Further, FCCS and SSA procedures require, whenever feasible, that debts be repaid in one lump sum. If this is not feasible, agreements can be arranged, allowing installment payments up to 36 months. We reviewed 36 past-due overpayment cases, which the debt collection units were trying to collect, and found that 75 percent were being repaid under installment agreements. Further, over 40 percent of the installment agreements exceeded 36 months, the maximum suggested by SSA's policies. The average agreement for the debt repayment period was 51 months. We found that in most cases, a financial statement had not been obtained from the debtor to document present or future ability to repay a debt, as required by the FCCS, which would justify such lengthy repayment schedules.

SSA has not used consumer credit bureaus to locate former beneficiaries who owe debts, even though this practice is recommended by the FCCS. SSA's debt management officials believe that the agency does not have the authority to do this because of its exclusion from the Debt Collection Act; this act allows federal agencies to, among other things, use private collection agencies to recover debts.

The use of consumer credit bureaus would result in significant savings, several SSA debt management officials from the PSCs and the now-disolved office of the CFO believed. The current process of locating missing debtors, they said, is extremely labor intensive, time-consuming, and often unsuccessful. The Department of Health and Human Services IG said, in October 1989, that credit-reporting agencies could have helped SSA locate about 45,000 additional former beneficiaries with overpayments totalling \$52.4 million. The IG estimates were based on a sample of overpayments that were more than \$50 and placed in the terminated collection file during the period January 1, 1983, through March 31, 1986. Locating these debtors, instead of terminating collection efforts, could have significantly increased SSA's chance of collecting some of this debt.

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### **Need to Establish Debt Collection Goals**

SSA has not set separate goals for the recovery of overpayments from former beneficiaries. The current debt collection goals include the recovery of debts owed by both former and current beneficiaries. Since collecting debts from current beneficiaries can be accomplished by reducing future benefit payments, they are not as problematic as collecting debts from former beneficiaries, that is, those no longer in payment status. To guide the efforts of its staff and to evaluate the effectiveness of its debt management policies and activities for former beneficiaries, SSA should establish separate goals for their debts.

Further, in the PSCs, SSA should set specific goals for the debt collection units, focusing on the amount of debt collected. According to a June 1989 CFO report, goals for debt collection units focus on moving paper and avoiding backlogs; that is, because of workload and processing time pressures, most emphasis was placed on completing a certain number of actions each day and terminating collection activity. We believe the goals should be on the amount of dollars collected.

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### **Legislative Exclusions Impede Collection**

At the time of our review, SSA was not authorized to collect RSDI overpayments through deductions from federal income tax refunds. During several contacts between June 1989 and May 1990 with the requesting Subcommittee staff, we recommended that the Congress authorize SSA to use the tax refund offset since this method offers the greatest potential for collecting overpayments from former RSDI beneficiaries. This collection method was authorized by law on November 5, 1990. By using this method, the CFO projects that collections will increase \$213 million over the first 3 years and \$18 million in each subsequent year. Although SSA has been authorized, since 1984, to recover SSI overpayments by offsetting income tax refunds, it has never used this collection method. It plans to do so in tax year 1992.

SSA is excluded from current legislation authorizing several collection methods available to other federal agencies. Overpayments under the Social Security Act are exempt from the Debt Collection Act of 1982, which gave federal agencies the authority to (1) assess interest and penalties on delinquent debts, (2) recover debts from other federal program payments or from federal employees' salaries, and (3) for collection, refer delinquent debts to private collection agencies or consumer credit bureaus or both.

SSA's exemption from using the above collection methods leaves the agency with a less effective set of tools, to pursue debts from former

beneficiaries, than other federal agencies have. The limited enforcement tools left to SSA provide little motivation for debtors to abide by SSA's request for repayment, although the tax refund offset will enhance deterrence. Debt management officials we interviewed said SSA could benefit from more aggressive collection methods to improve overpayment recovery, including

- reporting delinquent debtors to consumer credit bureaus,
- charging interest on overpayments, and
- referring certain overpaid debtors to private collection agencies for recovery of debt.

In this respect, the CFO proposed a legislative strategy, approved by the SSA Commissioner in 1989, to request the authority to use the above collection tools. This strategy included first requesting the authority for the income tax refund offset since this tool had the largest collection potential.

## **Conclusions**

The recovery of overpayments from SSA's beneficiaries has been, and continues to be, a problem. We believe SSA's limited success in increasing collections is due to the agency's lack of organizational focus and emphasis on debt management, insufficient management information to support the debt management program, weak and ineffective collection practices, and legal restrictions on using certain collection methods provided to other agencies.

Significant improvements in the management of SSA's collection practices are possible and should result in increased overpayment recovery. This can be achieved by (1) developing the management information SSA considers essential to better manage and control the collection effort, (2) adhering to SSA policies and using the FCCS as guidance for taking timely action on debt recovery, establishing appropriate plans for repayment, and using credit bureaus to locate delinquent debtors, and (3) establishing specific dollar collection goals for debts owed by former beneficiaries. The establishment of the DCFAM, as the office responsible for debt management, would provide the leadership, oversight, and emphasis needed to ensure that overpayments receive sufficient and prompt attention.

As the manager for debt management, the DCFAM or his/her designated official should be responsible for preparing SSA's debt management policies and procedures and assigning collection goals to each of the components involved in overpayment recovery. Further, for complying with SSA's debt management policies, the debt collection units in the PSCS—under the deputy commissioner for operations and others involved in the recovery effort—should report to, and be accountable to, the DCFAM.

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## **Recommendations to the Commissioner**

We recommend that the Commissioner of SSA

- assign central responsibility for debt management to the DCFAM;
- require the debt collection units in the PSCS and others involved in the recovery of overpayments to report to and be accountable to the DCFAM for all debt management matters;
- accelerate completing the management information system needed to support effective debt management;
- adhere to the FCCS and SSA's policies governing timely action on debt recovery, establishing appropriate plans for repayment, and using credit bureaus to locate delinquent debtors; and
- establish specific dollar collection goals for recovering debts owed by former beneficiaries.

# Overpayment Collection Activities at OPM, RRB, and VA

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This chapter (1) describes the organization structure and debt management practices for the Office of Personnel Management (OPM), the Railroad Retirement Board (RRB), and the Department of Veterans Affairs (VA) and (2) provides information on their overpayment collections for fiscal years 1986-89.

Both OPM and RRB had fragmented organizations for debt collection, somewhat similar to SSA. VA, however, had a single organizational component responsible for debt management, although this component did not report to VA's CFO. RRB was beginning efforts to centralize this function under its CFO at the time we did our work. We did not attempt to determine what effect these organizational strategies had on the efficient and effective operations of each agency's debt management program.

Each agency is using most, if not all, the collection tools authorized by law. However, opportunities for improved debt collection by using additional tools available exist at OPM and VA. There was evidence that each agency had increased its emphasis on debt management in response to OMB initiatives since 1984. However, data we collected from each agency showed relatively constant overpayment collection rates for 1986-89.

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## Agencies' Use of Debt Collection Methods

OPM and RRB are required by the Debt Collection Act to assess delinquent debtors for interest, penalties, and administrative costs. VA is required by the Veterans Rehabilitation and Education Amendments to assess interest and administrative costs on its debts. The Deficit Reduction Act of 1984 requires all three agencies to collect overpayments through deductions from refunds on taxpayer income tax. The major collection methods authorized by these acts—including those that are recommended but optional—and whether they are used by OPM, RRB, and VA is shown in table 3.1.

**Table 3.1: Agency Use of Specially Legislated Debt Collection Methods**

<b>Collection method</b>	<b>Agency use</b>		
	Railroad Retirement Board	Office of Personnel Management	Department of Veterans Affairs
<b>Required actions</b>			
Assess interest on overpayments	Yes	Yes	No
Assess penalties and administrative costs	Yes	Yes	No
Offset federal tax refund	Yes	No	Yes
<b>Recommended actions</b>			
Report debtors to credit bureaus	No	Yes	Yes
Offset federal employee salaries	No	Yes	Yes
Offset other federal program payments	Yes	Yes	No

The agencies did not use some of the collection methods for reasons such as the administrative difficulties in generating the information needed to implement a specific method and the incompatibility of certain collection methods with the agency's authorizing legislation or policy. For example, RRB believes that it is excluded by its authorizing legislation, the Railroad Retirement Act, from reporting delinquent debts to consumer credit bureaus. OPM does not use the offset for the federal tax refund because the agency believes IRS's administrative requirements are too burdensome.

## RRB Debt Management Program

The RRB pays retirement, survivors, unemployment, and sickness benefits to the nation's railroad workers and their families. The Office of Retirement and Survivor Programs and the Bureau of Unemployment and Sickness Insurance (hereafter referred to as program offices) administer these programs.

Although debt management functions are somewhat fragmented at RRB, the agency had initiated efforts, at the time of our review, to centralize this responsibility in the office of the CFO. This action was taken to facilitate compliance with the Debt Collection Act and OMB and Treasury regulations.

The Bureau of Fiscal Operations (BFO), under the CFO, was designated as the focal point for debt management. BFO, together with the program offices, prepares RRB's orders and regulations, which provide general guidance for debt collection operations. BFO (1) operates the accounting functions to support overpayment collection, notice, and billing and (2) makes the final decision to refer delinquent debts to private collection agencies or to IRS for tax refund offset.

The program offices are the organizational components responsible for collecting overpayments, and each maintains separate policies and procedures for debt recovery. For example, each program office establishes the dollar criteria for writing off debts and the extent of collection effort that will be undertaken before a debt is referred to BFO for collection. In addition, each program office has the authority to refer debts to the Department of Justice for civil litigation at any point in the collection process.

**Overpayment Recovery  
Process and  
Collection Methods**

Both the Office of Retirement and Survivor Programs and the Bureau of Unemployment and Sickness Insurance send an initial written notice to debtors advising them of, among other things, amounts owed; basis for the indebtedness; the right to request waiver of the debt; schedule for payment; and the agency's policies for charging interest, penalties, and administrative costs should repayment be delayed or stopped. The program offices also send three letters at 30-day intervals, with progressively stronger language, requesting repayment. These letters are sent, beginning 60 days after the initial notice, to all overpaid individuals when the debt cannot be recovered through withholding of future benefits. Debts owed RRB are considered delinquent after 60 days.

If the collection attempts are not successful, the program offices send the debts to BFO where the debts can be referred to private collection agencies or reported to IRS for income tax refund offset. If these collection methods are unsuccessful, the debts are referred back to the program offices to be written off as uncollectible.

RRB uses all of the debt collection methods available to it under law except for collecting overpayments from the salaries of federal employees. In 1989, RRB began collecting debts related to the unemployment and sickness insurance program through the offset on federal income tax refund. Starting in 1990, debts from the retirement program will also be referred for offset. RRB officials told us that the Railroad Retirement Act precludes the agency from (1) collecting overpayments through deductions from the salaries of federal employees and (2) reporting delinquent debtors to consumer credit bureaus.

## **Performance in Collecting Overpayments**

Over the past 4 years, RRB has collected each year, on average, about 55 percent of its outstanding overpayments. In fiscal year 1988, RRB determined that it had collected about \$72 for every dollar invested in collections. The agency's overpayment collection experience for fiscal years 1986-89 is shown in table 3.2.

**Table 3.2: RRB's Overpayments, Collections, and Write-Offs (1986-89)**

Dollars in millions

Overpayment activity	Fiscal years							
	1986		1987		1988		1989	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Outstanding at beginning of year	\$54	a	\$56	a	\$47	a	\$49	a
New	69	a	57	a	98	a	81	a
<b>Total</b>	<b>\$123</b>	<b>a</b>	<b>\$113</b>	<b>a</b>	<b>\$145</b>	<b>a</b>	<b>\$130</b>	<b>a</b>
Collection	\$61	50	\$62	55	\$90	62	\$70	54
Written off	\$6	5	\$5	4	\$6	4	\$4	3

<sup>a</sup>Not applicable.

In commenting on a draft of this report (see app. II), RRB said it has planned a number of actions, such as offsetting salaries of federal employees, to improve the debt collection program. RRB comments have been incorporated where appropriate.

## **OPM Debt Management Program**

OPM pays retirement and survivor benefits under both the civil service retirement system and the federal employees retirement system. The Office of Retirement Programs, which administers these programs, is responsible for OPM's debt management policies and procedures. The Reconsideration and Debt Collection Division, within the Office of Retirement Programs, manages all debt collection activities, including informing debtors of their rights and collecting overpayments. This division also operates OPM's automated debt collection system, which tracks and collects overpayments owed by former beneficiaries who are no longer receiving retirement benefits.

## **Overpayment Recovery Process and Collection Methods**

An initial notice explaining why the overpayment occurred and requesting repayment is sent by the Reconsideration and Debt Collection Division to all debtors who are no longer receiving benefits. If the debtor does not respond within 30 days, a series of three letters, at 30-day intervals, demanding repayment are sent. Overpayments are considered

delinquent 30 days after the initial notification letter and, at this time, OPM begins assessing interest on the unpaid amount. If the debtor does not repay the overpayment in full or try to arrange a repayment schedule within 90 days of the first demand letter, OPM may begin assessing late charges and administrative costs. The division refers unpaid debts to a consumer credit bureau and, 30 days after the second demand letter is sent, to a private debt collection firm. After 6 months, if the private collection firm is not successful, the debt is referred to another firm. If both private collection firms are unsuccessful, OPM usually determines that the debt is uncollectible and writes it off. Overpayments owed by beneficiaries who are continuing to receive retirement benefits are usually recovered by adjusting their future benefits.

OPM uses all of the collection methods available except the offset on federal income tax refund. Because of resource limitations and concerns about meeting IRS's program requirements, OPM's debt management officials said, they decided not to participate in this program.

However, in commenting on a draft of this report, OPM advised us that it plans to use the tax refund offset to collect overpayments.

### **Performance in Collecting Overpayments**

During each of the past 4 years, OPM has collected, on average, about 55 percent of its total outstanding overpayments. The agency's overpayment collection experience for fiscal years 1986-89 is shown in table 3.3.

**Table 3.3: OPM's Overpayments, Collections, and Write-Offs (1986-89)**

Dollars in millions

Overpayment activity	Fiscal years							
	1986		1987		1988		1989	
	Amount	Percent		Amount	Percent		Amount	Percent
Outstanding at beginning of year	\$76	a	\$84	a	\$86	a	\$87	a
New	110	a	110	a	122	a	120	a
<b>Total</b>	<b>\$186</b>	<b>a</b>	<b>\$194</b>	<b>a</b>	<b>\$208</b>	<b>a</b>	<b>\$207</b>	<b>a</b>
Collection	\$99	53	\$104	54	\$118	57	\$111	54
Written off	\$3	2	\$4	2	\$3	1	\$2	1

<sup>a</sup>Not applicable.

## **VA Debt Management Program**

VA's compensation program pays benefits to U.S. military veterans who are disabled by injury or disease incurred during active service in the line of duty. Its pension program pays benefits to wartime veterans with limited income who become permanently and totally disabled after active service. The debt management staff, within the office of the chief benefits director, became the focal point for debt management in 1985. This office is responsible for VA's debt management policies, procedures, and collections; it also operates the centralized accounts receivables system, which controls, tracks, and monitors the agency's overpayments and loans due from the public. At the time of our review, VA was developing plans to improve this system; in fiscal year 1991, VA also plans to implement an automated calling system to contact debtors.

### **Overpayment Recovery Process and Collection Methods**

Three collection letters are sent by the debt management staff to all debtors who are no longer receiving benefits. These letters, which are sent 30 days apart, use progressively stronger wording; each provides a toll-free telephone number for the debtor to call with questions or comments. The letters state the debtor's due process rights and request repayment of the debt. From the date of the first letter, VA provides a 180-day due process period, during which a debtor may request waiver of the debt or appeal of the debt or both. If there is no response 60 days after the third collection letter is sent, the debtors are referred to a consumer credit bureau. Debts owed VA are considered delinquent after 30 days.

The federal income tax refund offset is the most cost-effective and efficient collection method, the debt management staff director said. Since implementation of this initiative in 1986, VA has collected about \$7.3 million in compensation and pension overpayments. The procedure costs VA less than \$5 per transaction and, on average, collects \$450 per transaction. In addition, many debtors have voluntarily repaid debts as a result of the threat of reducing their income tax refunds.

VA does not assess interest, penalties, or administrative costs, nor does it use private collection firms to collect compensation and pension debts. These collection methods are not used, the debt management staff director said, because program beneficiaries have limited incomes; GAO and the IG have recently questioned this policy, recommending that in order to comply with applicable statutes, both interest and administrative costs should be assessed on compensation and pension debts. VA policymakers are, however, opposed to using these collection techniques

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against veterans who have limited incomes; therefore, VA is pursuing legislation exempting compensation and pension debts from being charged interest and administrative costs.

We recognize that (1) certain beneficiaries, because of their limited incomes, may find it difficult to repay their debts and (2) VA should carefully examine an individual beneficiary's ability to repay before assessing interest and administrative costs. However, we continue to believe that since the law requires VA to assess interest and administrative costs on compensation and pension debts, VA should, as a general practice, do so. We believe such assessments would encourage prompt repayment and deter future delinquencies.

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**Performance in  
Collecting Overpayments**

Over the past several years, VA has collected, on average, 30 percent of its outstanding overpayments. The VA collection experience for compensation and pension overpayments (fiscal years 1986-89) is shown in table 3.4.

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**Table 3.4: VA's Overpayments, Collections, and Write-Offs (1986-89)**

Dollars in millions

Overpayment activity	Fiscal years							
	1986		1987		1988		1989	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Outstanding at beginning of year	\$304	a	\$338	a	\$381	a	\$339	a
New	221	a	244	a	246	a	245	a
<b>Total</b>	<b>\$525</b>	<b>a</b>	<b>\$582</b>	<b>a</b>	<b>\$627</b>	<b>a</b>	<b>\$584</b>	<b>a</b>
Collection	\$160	30	\$180	31	\$183	29	\$175	30
Written off	\$26	5	\$23	4	\$105	17	\$47	8

<sup>a</sup>Not applicable.

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**Conclusions**

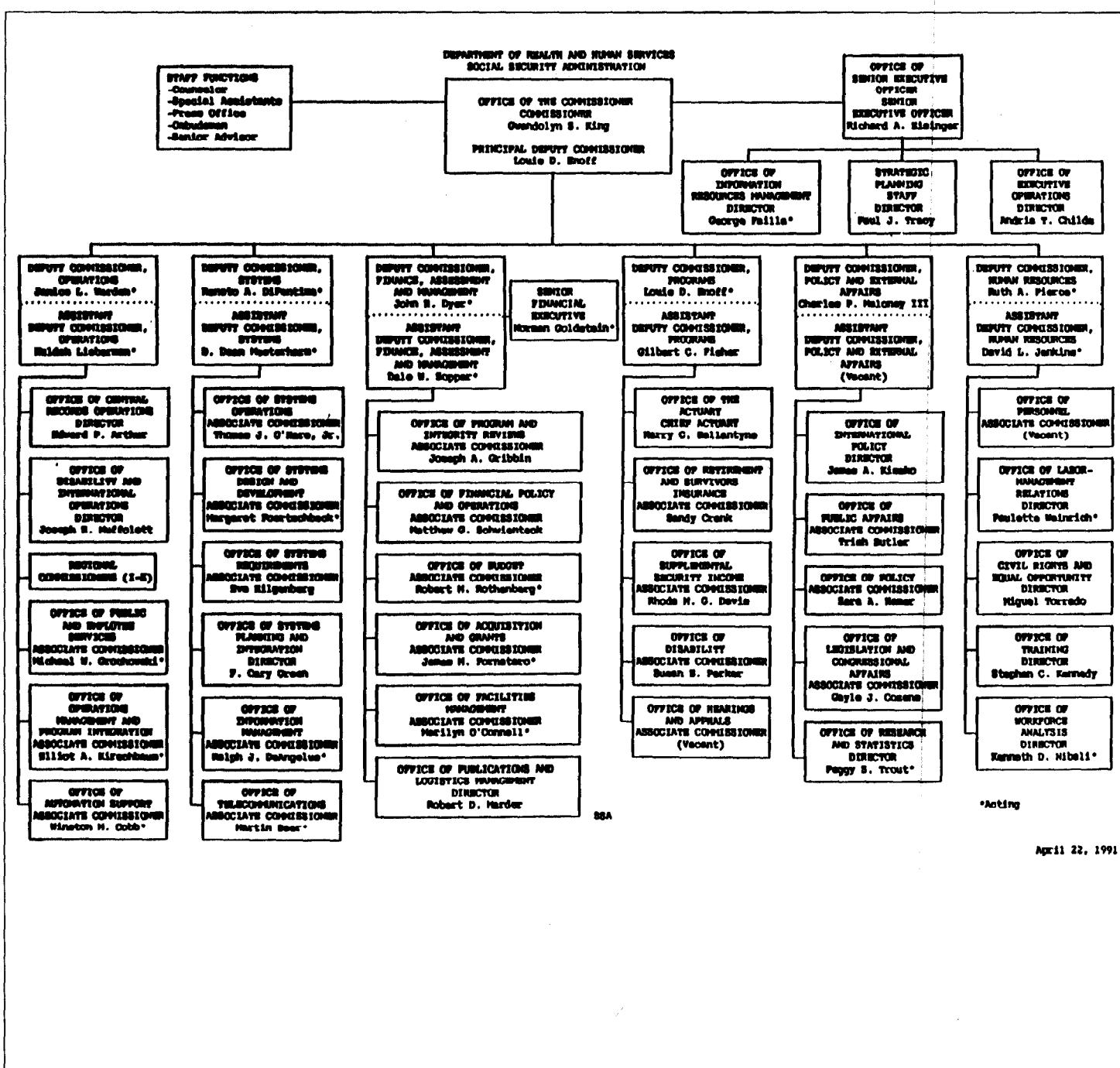
While all three agencies are using many of the collection methods authorized by the Debt Collection Act of 1982 and the Deficit Reduction Act of 1984, some collection methods have not been used. VA is not charging interest or administrative costs as required by the Veterans Rehabilitation and Education Amendments of 1980; OPM is not offsetting federal income tax refunds as required by the Deficit Reduction Act. The use of these methods may enable these agencies to increase their collections of overpayments.

Although the three agencies have been placing more emphasis on overpayment recovery, their overpayment collection rates for 1986-89 have remained relatively constant.

**Recommendation to  
the Office of  
Management  
and Budget**

To improve overpayment recovery, we recommend that the Director, Office of Management and Budget, direct that the Secretary of Veterans Affairs assess interest and administrative costs on overpayments, as required by the Veterans Rehabilitation and Education Amendments of 1980; and that the Director, Office of Personnel Management, collect overpayments through deductions from taxpayer income tax refunds, as required by the Deficit Reduction Act.

# SSA Organizational Structure



# Comments From the OPM and RRB



UNITED STATES  
OFFICE OF PERSONNEL MANAGEMENT  
WASHINGTON, D.C. 20415

OFFICE OF THE DIRECTOR

APR 25 1991

Mr. Lawrence H. Thompson  
Assistant Comptroller General  
U. S. General Accounting Office  
Washington, DC 20548

Dear Mr. Thompson:

We appreciate having the opportunity to comment on the draft General Accounting Office report entitled Debt Management: More Aggressive Agency Actions Needed to Reduce Billions of Dollars of Debt.

As noted in the report, OPM has a multifaceted program to collect debts that are owed to the Civil Service Retirement Fund. Over the years we have made use of a variety of methods of debt collection, and we are continually reviewing our practices to make them more effective and efficient, while affording debtors all of their due process rights.

While Internal Revenue Service (IRS) requirements and the nature of our debt portfolio preclude us from using the Federal income tax refund offset program for previously identified debts, we will begin shortly to pursue ways and means of adopting this collection alternative for future debts. We will review IRS requirements, our Automated Data Processing (ADP) systems, and our internal operations to determine how this method can be implemented at OPM. In addition, we will determine what resources are required for the implementation and then will work closely with the Office of Management and Budget on that issue.

Collection of outstanding debts has a high priority within OPM's program operations, and we are glad to have the benefit of your assessment of our efforts to collect these debts. Our obligation to the taxpayers to manage the retirement fund in an efficient and effective manner is a constant frame of reference underlying all decisionmaking processes affecting the retirement program.

Sincerely,

Constance Berry Newman  
Director

**Appendix II**  
**Comments From the OPM and RRB**



UNITED STATES OF AMERICA  
RAILROAD RETIREMENT BOARD  
844 RUSH STREET  
CHICAGO, ILLINOIS 60611

APR 26 1991

**BOARD MEMBERS:**

**GLEN L. BOWER (CHAIRMAN)**  
**C.J. CHAMBERLAIN (LABOR)**  
**ANDREW F. REARDON (MANAGEMENT)**

**Mr. Joseph F. Delfico**  
Director, Income Security  
Human Resources Division  
United States General Accounting Office  
441 G. Street, N.W., Room 6739  
Washington, D.C. 20548

Dear Mr. Delfico:

Thank you for the opportunity to comment on the GAO draft report, "Debt Management: More Aggressive Agency Actions Needed to Reduce Billions of Dollars of Debt." We found the report instructive, and it will be useful to us as we examine ways to further improve our debt collection program.

Our comments on the individual sections of the report are provided in the enclosure to this letter. Any questions about our comments can be directed to Peter A. Larson, Chief Financial Officer, at (FTS) 386-4590 or (312) 751-4590.

Sincerely,

*Glen Bower*  
Glen L. Bower

*C.J. Chamberlain*  
C. J. Chamberlain

*Andrew F. Reardon*  
Andrew F. Reardon

Enclosure

**Appendix II**  
**Comments From the OPM and RRB**

**RAILROAD RETIREMENT BOARD (RRB)**  
**COMMENTS ON GAO DRAFT REPORT,**  
**"DEBT MANAGEMENT: MORE AGGRESSIVE ACTION NEEDED**  
**TO REDUCE BILLIONS OF DOLLARS OF DEBT"**

Now on pp. 25, 26, and 27.

**PAGES 40, 41, AND 43:**

As the report states, the RRB is precluded by disclosure restrictions in the Railroad Retirement Act (and the Railroad Unemployment Insurance Act) from reporting delinquent debts to consumer credit bureaus.

These acts do not, however, prevent using salary offset of Federal employees to collect debts owed the RRB. The RRB has not used this collection method (except against RRB employees) because priority was placed on other debt collection projects, including implementing a new centralized automated accounts receivable system, cleaning up accounts receivable files, getting all debts recorded on the new system, and establishing and expanding the use of collection agency and tax refund offset referrals. The Office of Management and Budget (OMB) and the Department of the Treasury's Financial Management Service have recommended the RRB arrange a test match of our delinquent debtor records with the Defense Manpower Data Center's files of civilian and military personnel to determine the potential for collecting debts by salary offset. Preliminary arrangements for the match have been made, and we hope to complete it within the next few months. If the test match indicates sufficient potential collections, we plan to implement salary offset in fiscal year 1992.

In addition, the RRB recently submitted a legislative proposal to the Congress and the OMB that would provide additional authority to recover debts by way of administrative offset by permitting the collection of overpayments of benefits under the Railroad Unemployment Insurance Act from payments made under the Railroad Retirement Act not only to the overpaid individual, as is true under current law, but also to persons receiving benefits based on the overpaid individual's service. The bill would also authorize administrative offset of overpayments of unemployment and sickness insurance benefits against social security benefits payable by the RRB, and expand the authority in the Railroad Retirement Act to recover overpayments made under that act from social security benefits payable by the RRB.

Now on pp. 25 and 26.

**PAGES 41 AND 42:**

The Bureau of Retirement Claims has been reorganized and renamed the Office of Retirement and Survivor Programs.

Now on p. 26.

**PAGE 42:**

The draft report correctly describes the RRB's current notification and demand letter process. We are, however, revising this process by reducing the time from initial notification during which waiver can be requested from 60 to 30 days. We are also eliminating one of the three subsequent demand letters. These changes will enable us to initiate other collection actions sooner.

**Appendix II**  
**Comments From the OPM and RRB**

Now on p. 26.

**PAGE 43:**

Write-off of delinquent debts is done by the program bureaus rather than the Bureau of Fiscal Operations (BFO), but we are working on procedures for BFO write-off of accounts uncollected after collection agency and/or tax refund offset referral.

Now on p. 26.

**PAGE 43:**

With reference to referring retirement program debts for tax refund offset, "will also be" can be changed to "also have been":

Now on pp. 26 and 27.

**PAGES 43 AND 44 (AND PAGE 3 OF THE EXECUTIVE SUMMARY):**

We do not believe the methodology used to calculate percentages collected and written off is correct. For example, the executive summary states that, "Over the past 4 years, RRB collected about 56 percent of its overpayments \*\*\*." However, the chart on page 44 shows that the RRB collected \$283 million during the 4 years shown. When this amount is divided by the sum of the \$54 million balance at the beginning of the period and the \$305 million in new overpayments for the period (a total of \$359 million, the maximum that could be collected with no allowance for the ending receivable balance), the result is that the RRB collected 79 percent of its receivables for the 4-year period.

Some corrections are also needed to the data shown for fiscal year 1989. The beginning balance should be \$49 million. In addition, the amount shown as written off apparently includes only accounts written off as uncollectible, but for prior years both uncollectible and waived debts are included. Total write-offs were \$3.6 million in fiscal year 1989.

With regard to write-offs, the report should indicate that the amounts shown include both uncollectible and waived debts.

# Major Contributors to This Report

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## Human Resources Division, Washington, D.C.

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