

DEPARTMENTAL REGULATION		Number: 2130-003
SUBJECT: Debt Collection - Contracting for Collection Services	DATE: September 7, 1984	
	OPI: Office of Finance and Management	

1 PURPOSE

This regulation establishes Departmental procedures for contracting with collection services to recover delinquent debts.

2 POLICY

Agencies must take aggressive and timely action with effective followup, to collect all debts owed to the United States for either money or property, in accordance with the Federal Claims Collection Standards. (4 CFR 102.1)

Agencies must contract for collection services to recover debts when they become 90 days delinquent.

3 AUTHORITIES AND REFERENCES

This regulation supplements provisions of the Federal Claims Collection Standards (4 CFR 102.5 and 102.6) and must be read with the Standards and the statutory and regulatory provisions cited below.

- a Federal Claims Collection Standards, 49 F.R. 8889; 4 CFR Parts 101-105
- b 31 U.S.C. 3718, contracts for collection services
- c 31 U.S.C. 3302, miscellaneous receipts
- d 5 U.S.C. 552a, Privacy Act

4 CONTRACTING FOR COLLECTION SERVICES

Contracts must provide that:

- a The authority to resolve disputes, compromise claims, suspend or terminate collection action, and refer the matter to the Justice department for litigation must be retained by the agency (31 U.S.C. 3718(a)(1); 4 CFR 102.6(a)(1))
- b The contractor is subject to 5 U.S.C. 552a, the Privacy Act, to the extent specified in 5 U.S.C. 552a(m), and to applicable Federal and State laws and regulations pertaining to debt collection practices, such as the Fair Debt Collection Practices Act, 15 U.S.C. 1692 (31 U.S.C. 3718(a)(2); 4 CFR 102.6(a)(2))
- c The contractor is required to account strictly for all amounts collected (4 CFR 102.6(a)(3))
- d The contractor will provide an), data in its files on prior collection actions, current address of debtor, and credit data, when returning the account to the agency for referral to the Justice Department for litigation (4 CFR 102.6(A)(4) AND 105.2(A))

5 FUNDING OF COLLECTION SERVICE CONTRACTS

Agencies may fund collection service contracts in two ways:

- a Fixed Fee. Contracts may provide for payment of a fixed fee determined without regard to the amount actually collected from debtors. Payment of the fee must be charged to available agency appropriations. (4 CFR 102.6(b)(1)) This kind of contract is effective only to the extent and in the amount provided in an appropriation law. (31 U.S.C. 3718(c); 4 CFR 102.6(b)(3))
- b Contingent Fee. Contracts may include a provision permitting the contractor to deduct its fee from amounts collected under the contract. The fee should be based on a percentage of the amount collected, consistent with prevailing commercial practice. (31 U.S.C. 3718(b); 4 CFR 102.6(b)(2))

6 DEPOSIT OF AMOUNTS COLLECTED

All amounts recovered by agencies or by collection service contractors must be deposited in the Treasury as miscellaneous receipts under 31 U.S.C. 3302, except

- a Amounts deducted by contractors; working under a contingent fee arrangement authorized by 31 U.S.C. 3718(b). (4 CFR 102.6(b)(4))
- b Amounts recovered for revolving funds authorized by statute (49 FR 8892)
- c Amounts that qualify as a refund to an appropriation under Treasury Department-GAO Joint Regulation No. 1, set forth as Appendix B to title 7 of the GAO Policy and Procedures Manual