

UNITED STATES DEPARTMENT OF AGRICULTURE
FOOD SAFETY AND INSPECTION SERVICE
WASHINGTON, DC

FSIS DIRECTIVE

3700.1
REVISION 2

9/17/96

COLLECTING DEBTS

I. PURPOSE

This directive prescribes procedures for collecting debts due FSIS from the general public.

II. CANCELLATION

Cancel FSQS Directive 3700.1, dated 7/14/83. NOTE: This directive is numbered Revision 2. Previous editions were: 3700.1, dated 8/6/80 (Basic) and 3700.1, dated 7/14/83 (first revision).

III. REASON FOR ISSUANCE

This directive is rewritten to:

- A. Strengthen and standardize the Agency's debt collection procedures.
- B. Clarify procedures and responsibilities for collecting debts.
- C. Include coverage of IP.

IV. REFERENCES

4 CFR, Part II, Federal Claims Collection Standards

NFC's Billings and Collection Manual

V. FORMS AND ABBREVIATIONS

The following will appear in their shortened form in this directive:

BLCO	Billings and Collection System
C.O.D.	Collect on Delivery
DIP	Debtor in Possession
IFO	Import Field Office, IP
IID	Import Inspection Division, IP
IO	Inspection Operations

DISTRIBUTION:
All Offices

OPI:
BFD – Accounting Operations
And Systems Branch

IP International Programs
NFC National Finance Center
S&T Science and Technology

FSIS Form 3420-3, Record of Public Funds Received
NFC 523, Bill for Collection
NFC 864, Delinquent Notice

VI. DEFINITIONS

A. **Claims.** NFC's system for collecting a debtor's account after all Agency collection efforts are exhausted.

B. **Debt Collection Officer.** Person(s) described in Paragraph VIII. or person(s) with delegated authority for the collection of debts owed the Agency.

C. **Debt Management.** Operating procedures to demand payment from debtors, suspend reimbursable services, require C.O.D. or negotiate acceptable payment plans.

D. **Delinquent Account.** An account on which full payment is not received by the 25th of the month in which billed.

E. **Uncollectible Account.** An account which remains unpaid after exhausting all collection efforts.

VII. POLICY

FSIS will promptly and aggressively pursue the collection of debts owed the Agency following the Federal Claims Collection Standards (4 CFR Part II). Mandatory procedures are outlined in this directive. However, these procedures do not preclude the use of other collection tools.

VIII. RESPONSIBILITIES

A. **Regional Directors, IO; Director, IID; and Administrative Officer, S&T.** These individuals are responsible for debt collection activities. Responsibilities for debt collection are documented in employee performance standards as follows:

1. Assures that aggressive action is taken to collect debts owed the Agency for reimbursable inspection and laboratory services rendered.
2. Suspends reimbursable services or requires C.O.D. payment for delinquent debtors (IO and IID only).
3. Denies laboratory service to delinquent debtors (S&T only).
4. Transmits collections to the NFC.

5. Terminates collection efforts if the cost of further collection action will exceed the amount of the debt.

6. Transfers uncollectible accounts and accounts of debtors involved in bankruptcy proceedings to Claims Section, NFC.

B. Regional Debt Collection Officers. Assist IO regional directors in carrying out their assigned functions.

C. IFO Supervisors. Assist the Director, IID, in carrying out the debt collection activities.

D. The Director, Budget and Finance Division.

1. Prepares bills for collection of miscellaneous debts due FSIS following the Federal Claims Collection Standards and additional standards established for the particular debt involved and transmits such bills to NFC for proper processing, recording, and collecting.

2. Monitors the status of accounts receivable and provides periodic reports.

3. Establishes and maintains an allowance for doubtful accounts according to NFC guidelines and procedures.

4. Conducts internal reviews to assure compliance with procedures established in this directive.

IX. NFC COLLECTION EFFORTS

NFC uses the BLCO. Specific details of the BLCO are explained in NFC's Billings and Collections Manual. Under this system, NFC:

A. Issues Form NFC-523 on the first of the month.

B. Charges interest on billed amounts not received by the 25th of the month.

C. Issues a second bill to notify the debtor of their delinquent status and applies interest to the past due amount.

D. Issues Form NFC-864 for the next two billing cycles (30 days and 60 days after the account is past due).

E. Produces two "Delinquent Accounts" reports itemizing the status of all accounts 30 days overdue and 60 or more days overdue.

X. FSIS COLLECTION EFFORTS

Regional Offices, IFOs, and S&T Management Support Staff receive reports of "Accounts Delinquent for at least 60 Days." After this report is received, collection officials should contact the appropriate company officials by letter, or if necessary, certified letter with return receipt requested (Attachment 1). A telephone call (optional) may be used in addition to the letter. Document in writing and file the results of the correspondence and telephone conversation.

A. **Payment Is Made.** Obtain the check number, date, and amount from the debtor. Confirm payment data with NFC.

B. **Payment Is Not Received Within Ten Business Days.** If payment is not received within 10 business days from the date of the collection letter:

1. Deny credit immediately to debtors listed on the "Delinquent Accounts" reports (more than 60 days overdue).

2. Suspend or deny service as follows:

a. **Regional Offices and IFOs.**

(1) Suspend reimbursable services immediately. Notify applicable area office or Director, IID of the action.

(2) Resume reimbursable services only after the entire debt is repaid in one lump sum. The lump sum payment may be a certified check, cashier's check, or money order. The lump sum payment must be received by the next business day. If the debtor is having financial difficulties and is unable to make a lump sum payment, the collection officer may accept an installment payment plan (see subparagraph C.). Under an installment payment plan, reimbursable services may be resumed, BUT only on a C.O.D. basis until the past due amount is paid in full.

b. **Management Support Staff.** Deny service to delinquent debtors. An applicant who is denied service because of nonpayment of an overdue account may receive services on a C.O.D. basis after the overdue account is settled in full.

C. **Repayment Using an Installment Payment Plan.**

1. **Collection officers** may accept an installment payment plan to collect overdue amounts when a debtor is unable to repay the entire amount in one lump sum. Base the use of an installment plan on the debtor's past delinquency history, financial status, and willingness to pay.

2. **The debtor** should prepare a written agreement that defines the dates and amounts of installment payments to be made. Payments must be sufficient in size to pay off the agreement in the shortest amount of time and include any accrued interest.

3. **The collection officer** should accept a written agreement ONLY if there is a good faith deposit (certified check, cashier's check, or money order) that demonstrates the willingness to pay.

XI. TRANSMITTING FSIS COLLECTIONS TO NFC

Collection officials may forward payments to NFC under either a memorandum or FSIS Form 3420-3. Review checks and ensure that the applicant's number is on the checks. Mail payments as follows:

A. **Payments without billing documents** that are to be applied to the applicant's balance due to:

U.S. Department of Agriculture
BLCO Collections
P.O. Box 70790
Chicago, IL 60673-0790

B. **Payments with C.O.D. billing documents** to:

U.S. Department of Agriculture
C.O.D. Field Office
P.O. Box 70791
Chicago, IL 60673-0791

XII. UNCOLLECTIBLE ACCOUNTS

A. Transfer accounts to the NFC Claims Section after they are delinquent 90 days. Refer accounts earlier if services are suspended and the debtor shows no positive intent to settle the debt, or a bankruptcy case is pending. The NFC address is:

U.S. Department of Agriculture
NFC Claims Section
P.O. Box 61770
TANO Building, 2nd Floor C-9
New Orleans, LA 70161-1770

B. Prepare a memorandum to transfer an account to NFC Claims Section. Follow instructions in the Billings and Collections Manual and include the following:

1. Copies of all correspondence to and from the debtor relating to the debt.

2. All other information on the financial status of the debtor obtained from telephone or personal contacts.

XIII. BANKRUPTCY

A. Notification. The collection officer immediately:

1. Notifies the NFC Claims Section, by telephone, of a debtor's actual or impending bankruptcy status.
2. Prepares a cover memorandum to transfer the account to the NFC Claims Section and provides the following information:
 - a. Status of bankruptcy petition, if known (e.g., where and when petition was filed).
 - b. Copy of the application for inspection. (If unavailable, the grant of inspection.)
 - c. Copy of all correspondence to and from the debtor relating to the debt.
 - d. Any other information obtained from telephone or personal contacts.

B. State of Bankruptcy. After a debtor files for bankruptcy under:

1. **Chapter 7.** The debtor does not receive any reimbursable services of any kind.
2. **Chapter 11 (Reorganization).** The debtor:
 - a. May receive reimbursable inspection or laboratory services under a new applicant number. The inspection office establishes a new applicant number with the name of the applicant preceded by the letters "DIP". Do not perform reimbursable services under the old applicant number once Chapter 11 bankruptcy is filed.
 - b. May not automatically be put on C.O.D. basis. If the debtor received reimbursable services on a C.O.D. basis before filing Chapter 11 (reorganization), reimbursable services will continue on a C.O.D. basis under the new "DIP" number.

XIV. FINAL DETERMINATION OF UNCOLLECTIBLE ACCOUNTS

After the uncollectible and bankruptcy accounts are transferred to NFC, (see paragraphs XII. and XIII.), the NFC Claims Section determines the final disposition of all uncollectible accounts. The NFC Claims Section procedures include:

- A. Continuing collection action on delinquent accounts after service is suspended and on accounts whose owners have requested voluntary suspension of service.

- B. Initiating write-off action on those debts determined to be uncollectible.
- C. Referring accounts to Office of the General Counsel if monetary amount of debt warrants such action.
- D. Preparing and filing all formal claim actions on accounts whose owners are involved in bankruptcy proceedings.
- E. Furnishing the regional offices and IFO with copies of correspondence initiated by NFC.
- F. Advising regional offices and IFOs when debts are collected or when collection action ends.
- G. Transferring delinquent accounts and debts owed by bankruptcy debtors from Accounts Receivable to Claims Receivable.
- H. Deleting the Agency-assigned debtor number from the system.

Deputy Administrator
Administrative Management

ATTACHMENT

- 1 Sample Letter for Debt Collection