

CHAPTER 7. MANAGING RECEIVABLES, COSTS, AND COLLECTIONS

***GOAL:** Bill and collect amounts due the federal government in accordance with applicable laws and regulations and capture costs to meet reporting and management needs of the Department.*

Effective management of receivables, costs, and collections is a critical component of the Department's overall ability to account for its financial resources and to efficiently use those resources to fulfill Interior's mission and perform its programs in an effective manner. The Department's overall goals include billing and collecting amounts due the federal government in accordance with applicable laws and regulations, and to track and report costs for management purposes. Interior continues to make progress in achieving these goals.

Accounts Receivable

The Department continues to make significant progress in its collection and receivable management activities. Over 70 percent of the Department's receivables originate from the enforcement of laws and regulations and audit findings. The remaining 30 percent originates from loans (direct and guaranteed) and the sale of goods and services. Consequently, traditional receivable management procedures and safeguards, such as credit worthiness checks, are often not applicable.

The Department has been working closely with the Department of the Treasury to refer its delinquent receivables over 180 days past due to the Financial Management Service for cross-servicing and/or offset in accordance with the Debt Collection Improvement Act of 1996. All bureaus and offices are currently in the process of referring eligible delinquent receivables to Treasury for collection. A monthly reporting system has been established by the Department to monitor performance.

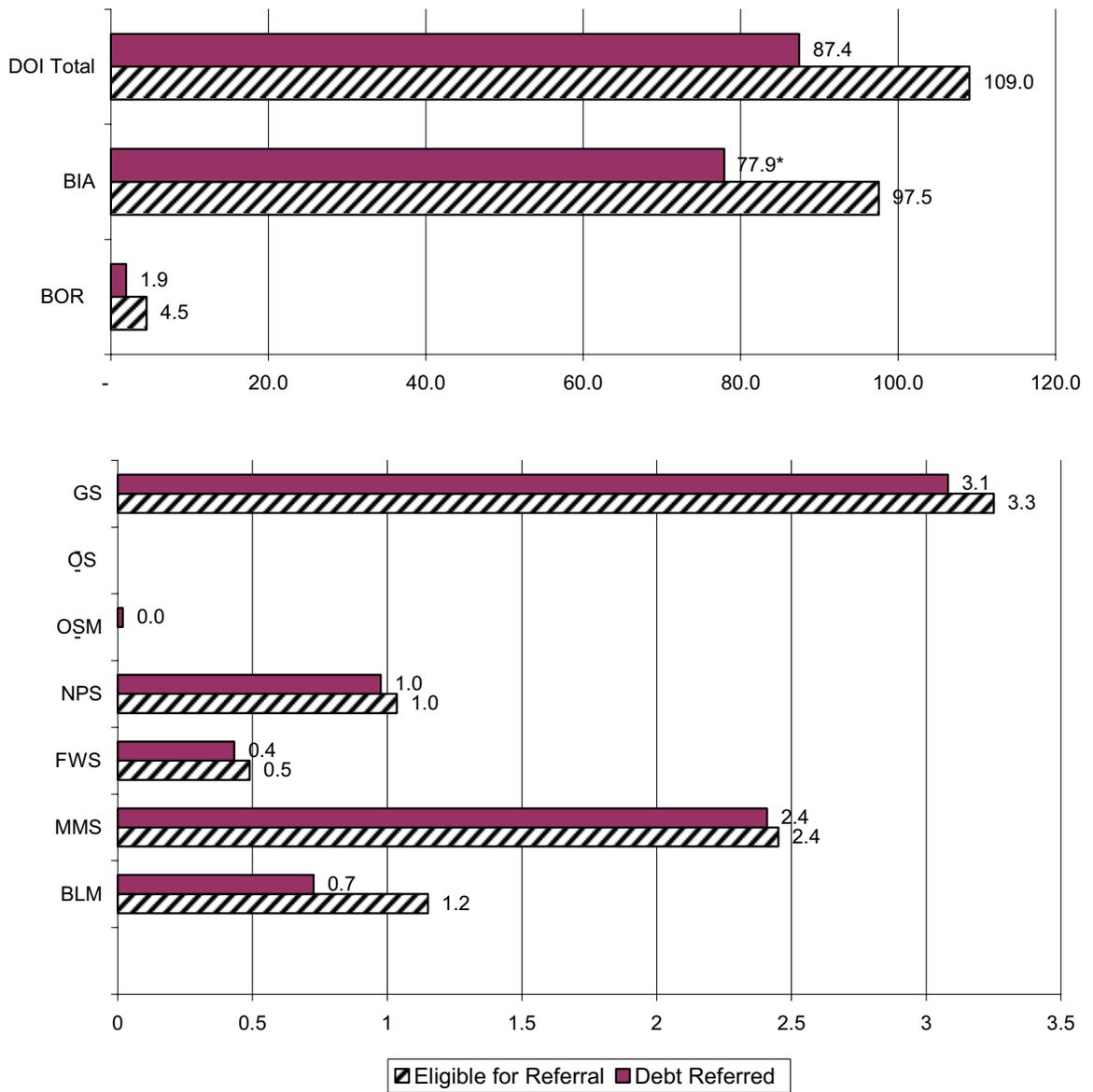
Exhibit 7-1 summarizes Department and bureau-level debt referral performance as of September 30, 2000:

FY 2000 Accomplishments

- Referred 80 percent of the 180 day delinquent debt to the U.S. Treasury for cross-servicing in accordance with the Debt Collection Act of 1996.
- Continued a special initiative to confirm and refer appropriate Bureau of Indian Affairs (BIA) irrigation-related delinquent debts to Treasury for cross-servicing.

Exhibit 7-1

Department of the Interior
 Monthly Debt Management Report
 September 30, 2000
 (dollars in millions)



* BIA expects to refer \$2.5 million and terminate collection action on another \$9 million in early FY 2001.

Planned Actions

Ongoing Activities

- Work with BIA to refer irrigation-related delinquent debts to Treasury.
- Refer 90 percent of all eligible delinquent receivables over 180 days past due to the Department of the Treasury for collection via cross-servicing and/or offset.

FY 2001 Planned Activities

- Encourage one Interior bureau to establish a cross-servicing agreement with Treasury's Financial Management Service to refer delinquent debt after 60 days (rather than 180 days) debt for cross-servicing.

Cost Accounting and Cost Management

The Department performs a significant number of tasks on a reimbursable basis including interagency agreements, agreements with state and local jurisdictions, Franchise Fund, Working Capital Fund, and user charge activities. A departmentwide Cost Accounting Work Group was established to begin implementation of SFFAS No. 4, "Managerial Cost Accounting Concepts and Standards", in FY 1998 and make necessary refinements thereafter. SFFAS No. 4 coupled with the requirements of the Government Performance and Results Act was a major focus in FY 2000. Further, cost accounting policies were issued related to FY 2000 financial statements. These policies will be updated as further refinements are identified.

In addition to cost accounting, cost management is also important to the Department. Listed below are some examples of the Department's efforts to minimize costs, particularly administrative costs:

- ***Control Unemployment Compensation Costs:*** For a number of years, Interior has used a contractor to: (a) verify employment, (b) process protests and appeals, (c) verify state data, and (d) produce management reports.
- ***Prepayment Voucher Audit of Government Bills of Lading:*** The Department is continuing to use and expand the use of a contractor to perform prepayment voucher audit of government bills of lading. Since we began the prepayment audits of government bills of lading audit program in FY 1995, the Department has generated estimated savings of \$2.8 million.
- ***Reduce Late Payment Penalties:*** For the past two years, the Department has engaged in an intensive effort to reduce late payments and late payment penalties under the Prompt Payment Act (see Chapter 8 for more detailed information).

- *Use Plastic Card Technology:* The Department engaged in a multiple year contract in November 1998 with the Bank of America (BOA) for a single card program to finance small purchases, travel, and fleet activities. This effort has greatly streamlined the processes related to procurement, travel, and fleet management and at the same time empowered field managers. Since we are paying BOA daily and have extensive risk mitigation controls, the Department is receiving substantial rebates from the contractor to invest in further program improvement efforts (see Chapter 8 for detailed information).
- *Cross-Servicing Opportunities:* In an effort to take advantage of economies of scale, the Department provides cross-services to bureaus of the Department and other federal entities via reimbursable service agreements and the Franchise Fund. Some examples of these activities include: Payroll Services, Cooperative Administrative Support Units, and Financial Systems (see Chapter 8 for detailed information).
- *Benchmarking Selected Activities:* In an effort to compare Interior's financial processes, the Department has participated in the Hackett Group benchmarking program. Participating in this activity has helped identify best practices for certain financial processes for the Department to consider and make necessary adjustments to improve operating efficiency and minimize the costs of financial-related processes (see Chapter 8 for detailed information).

FY 2000 Accomplishments

- Integrated performance information with cost data at the responsibility segment level in the Department's FY 1999 Annual Accountability Report and Bureaus' FY 1999 Annual Financial Statements.
- Realized FY 2000 program savings (net of contractor costs) of approximately \$1.4 million for controlling unemployment compensation costs.
- Realized a program benefit-to-cost ratio of \$161 to \$1 for the prepayment government bill of lading voucher audit program performed by a contractor.

Planned Actions

Ongoing Activities

- Concentrate efforts on cost tracking and reporting of cost information to support program managers' needs.
- Continue the departmental effort to control unemployment compensation costs through the use of a contractor.
- Continue the departmental effort to control government bills of lading costs through the use of a contractor.

FY 2001 and Beyond Activities

- Improve cost accounting practices in areas where fees are charged for services to achieve full cost recovery.
- Review the alignment of budget, cost accounting, and GPRA requirements to further improve both planning and reporting of cost and performance data.

User Fee and Cost Recovery Activities

The Department administers a substantial user charge program. Annually, the Department collects fees of almost \$500 million from approximately 100 cost recovery activities, and approximately \$5 billion from other user fee activities including royalties, rents, and bonuses related to minerals, timber, and other uses of federal lands. Since FY 1993, cost recovery has increased by almost \$150 million. Based on biennial review data, the Department maintains and updates a database of approximately 150 user charge activities. The database includes descriptions of the activities, estimated annual collections, pricing structure, legal authority, contact personnel, and other pertinent information.

In FY 2000, the Department conducted its fourth biennial review of user charge activities in accordance with the CFO Act. The National Park Service, the Fish and Wildlife Service, and the Bureau of Land Management were authorized under the Omnibus Consolidated Rescissions and Appropriations Act of 1996 to develop new and expanded fee collection sites as part of a three-year recreation fee demonstration program. The purpose of the demonstration program is to explore the feasibility of collecting additional user fees to offset the costs of administering recreational opportunities on federal public lands. The new fees will be used primarily to address repair and maintenance backlogs in participating parks and sites. Due to the promising results thus far, the fee demonstration program has been extended to September 30, 2002.

FY 2000 Accomplishments

- Performed a complete review of all user charge activities, updated the departmentwide user fee data base, and completed a summary report of cost recovery activities based on FY 1999 results.

Planned Actions

FY 2001 Planned Activities

- Conduct the annual review of all cost recovery activities. The Department will continue collaborative efforts, both inter and intra-departmental, regarding implementation of the Managerial Cost Accounting Standard, SFFAS No.4.
- Issue an update to the Departmental Manual to reflect the latest guidance under OMB Circular A-25.

Unclaimed Assets Recovery

During the summer of 1999 an effort was initiated to recover unclaimed assets of the Department. Unclaimed assets are assets that have been transferred to states by the U.S. Postal Service, U.S. Courts, or other entities and have not been identified by their owners. Some of these assets belong to the federal government. The Department is attempting to recover unclaimed assets related to Interior Programs.

FY 2000 Accomplishments

- Contacted states where it was determined that departmental assets were being held as unclaimed. Total collections exceeded \$60,000.

Planned Actions

Ongoing Activities

- Annually follow-up with the states to identify and claim any unclaimed assets due the Department.

FY 2001 Planned Activities

- Continue to file claims with states that have identified unclaimed assets of the Department.