



Program Statement

OPI: FPI/FMB
NUMBER: P8531.12
DATE: 7/7/2006
SUBJECT: Credit Management and
Collecting Non-Federal
Debt - FPI

1. **PURPOSE AND SCOPE.** To establish procedures for customers requesting credit with Federal Prison Industries (FPI) and collection of non-federal debt or public debt.

To protect government assets, agencies are required to manage credit programs and all non-tax receivables in accordance with statutory authorities and provisions established in the Office of Management and Budget, Circular A-129, Policies for Federal Credit Program and Non-Tax Receivables. Therefore, FPI must ensure the creditworthiness of potential customers prior to contract negotiations.

The Debt Collection Improvement Act of 1996 (Public Law 104-134) requires that all non-tax debt owed to the United States, which has been delinquent for more than 180 days must be referred to the Department of Treasury for appropriate collection action or termination. FPI has enrolled in the Treasury's Cross Servicing Program for this purpose.

The term *non-federal debt* will be used synonymously with *public debt* in this Program Statement.

2. **SUMMARY OF CHANGES.** This directive has been revised to consolidate programs relating to debt management and incorporate credit application procedures.

3. **PROGRAM OBJECTIVES.** The expected results of this program are:

a. A creditworthiness determination made by Central Accounts Receivable for non-federal customers is required.

b. Risk will be minimized and the potential for collection of non-federal debt will be increased.

c. Monitoring the credit practices of non-federal customers for credit limit modifications will be done consistently.

d. Compliance with applicable statutes, regulations and policies concerning the collection of non-federal debt will be ensured.

4. **DIRECTIVES AFFECTED**

a. **Directive Rescinded**

P8531.09 Collecting Non-Federal Debt - FPI (6/13/2002)

b. **Directives Referenced**

P2013.01 Financial Management - Debt Management (3/3/1994)

Debt Collection Improvement Act (DCIA) of 1996

Office of Management and Budget Circular A-129, Policies for Federal Credit Program and Non-Tax Receivables

Fair Credit Reporting Act

31 U.S.C. §§ 900 through 999

5. **STANDARDS REFERENCED.** None

6. **RESPONSIBILITIES.** FPI employees responsible for soliciting non-federal customers must be cognizant of their fiduciary responsibility incumbent in their positions.

Employees representing FPI in customer negotiations **cannot** authorize a guarantee or offer to guarantee credit limits, credit incentives, and/or extended payment terms to public debt customers, without written approval from the Chief, Central Accounts Receivable (CAR) or the FPI Controller or designee.

The Chief, CAR is responsible for reviewing and approving potential new public debt customers who request an extension of credit prior to a binding agreement or securing a negotiable instrument. Employees failing to obtain prior approval may create an unnecessary risk to FPI and/or possible exposure to a personal liability claim. A credit approval process has been established to help gather information to determine whether a partnership is possible.

7. **APPROVAL PROCESS.** The following procedures have been developed and must be followed to ensure the consistency and profitability of partnerships.

The applicable FPI representative involved in the negotiation process must prepare a packet for the customer interested in partnering with FPI, requesting specific information and completion of various forms including:

- Solicitation Letter (Attachment 1);
- Form - Business Credit Application (BCA), if applicable;
- Form - Request for Taxpayer Identification Number (TIN) and Certification (Substitute W-9);
- Form - Cash Flow Statement; and
- DUNS Number (DUN & Bradstreet).

Either the Controller, General Manager or Financial Manager must sign the Solicitation Letter. In addition, the BCA does not have to be sent to cash-based customers. The FPI representative must send the entire packet to the respective company.

Once the FPI representative receives the completed packet back from the company, the packet must be submitted to the Financial Management Branch (FMB) Controller, or designee, for an evaluation of financial stability. However, a copy of the W-9 and BCA will be faxed to the Chief, CAR for a determination of creditworthiness and the originals are mailed to:

UNICOR, Centralized Accounts Receivable
ATTN: Public Debt
PO Box 13640
Lexington KY 40583-3640

In addition, an e-mail must be sent to CAR at the e-mail address: accountsreceivable@central.unicor.gov notifying them that a fax has been sent.

Upon completing the credit assessment, the Chief, CAR, or designee, will submit an evaluation and recommendation to the Controller for a final determination. Once the Controller or designee has determined the viability of partnering with the company, a customer number will be requested from the Customer Service Center (CSC) and the applicable business group will be notified of results within three business days.

The packet which includes the credit assessment will be filed and maintained by the Chief, CAR.

8. **ASSESSING CREDIT.** The creditworthiness of potential customers must be assessed prior to entering into a contractually binding agreement. It is essential that credit limits are established and reviewed using objective criteria which allows risk management to be quantified based on data obtained from internal and external sources.

In accordance with the Fair Credit Reporting Act (FCRA), FPI has the right to request a credit report if it is being used to extend credit, review or collect on an account, or in connection with some other legitimate business transaction such as an investment, partnership, etc. The data FPI collects will be used to assess the creditworthiness of potential customers, adjust credit limits and collection, if required.

The Chief, CAR or designee is responsible for screening potential applicants for creditworthiness and ability to pay future obligations upon receipt of the Substitute W-9 and BCA. The completion and submission of the Substitute W-9 and BCA will be used to authorize a comprehensive evaluation of the business's credit history. At a minimum, the information requested will include:

- Business name, address, phone, fax and type of business (Corporation, Sole Proprietorship, Partnership, etc.).
- Names of all persons (agents) authorized to enter into a business agreement on behalf of the company.
- TIN associated with reporting federal taxes. If the business is a sole proprietorship (individual) and does not have a TIN, then the Social Security Number (SSN) of the primary principal of the business will be used. If other than a sole proprietorship, the Employee Identification Number (EIN) will be used.

Note: When requesting a TIN from a person doing business with FPI, it is imperative to disclose that the TIN will be used to collect and report any delinquent amounts arising out of their relationship with the Government.

- DUNS for the business and location applying for credit. All companies must be registered before they are allowed to do business with the Government.
- Current bank and trade reference.

a. **Credit Reports.** The Chief CAR will designate a staff member to obtain credit information from at least two recognized credit reporting entities, when required. However, if the customer sales volume will be less than \$1,000, only one external report may be used.

A credit report may not be required for customers under the following circumstances:

- credit card customers and/or customers that will have sales less than \$100 and
- state, city, county or government agencies.

Credit reports will be required for all other sales. The Supervisory Financial Specialist or designee will be responsible for analyzing all credit reports. A recommendation of findings must be submitted to the Chief, CAR within one business day.

In accordance with provisions of the Privacy Act of 1974, the information contained in credit reports is considered proprietary and must never be disclosed to unauthorized personnel or third parties. **Therefore, credit reports and any documentation containing proprietary information must be safeguarded in a secure location and never shared with or processed by inmates.**

In addition, the cost associated with obtaining credit reports will be charged to the applicable business group soliciting the customer.

b. **Credit Limits - New Customers.** The Chief, CAR will review the recommendation received for a final determination whether the company is creditworthy and credit may be extended. One of the following initial credit limits may be established.

- a specific limit established;
- zero limit, but purchases authorized with a company check;
- zero limit, but purchases authorized with a guaranteed monetary instrument; or
- denial, no authorization to purchase.

Credit reporting bureaus outside the federal government provide trade credit assessments that can be applied to the initial credit limit.

c. **Credit Limits - Existing Customers.** Public debt customers currently doing business with FPI will be subject to a credit review within 90 days after the effective date of this PS. The following criteria will be used to determine creditworthiness.

- Substitute W-9, completed and submitted by customer;
- assessment of credit history;
- preparation of 12 month history of sales transaction; and
- analysis of delinquent invoices within the last 12 months.

The information gathered, in conjunction with the credit reports will be used equally in analyzing the data by the Supervisory Financial Specialist or the designated Accounting Technician.

Internal sales tracking combined with updates from credit reporting bureaus will be used to change credit limits for existing customers. A recommendation of findings will be submitted to the Chief, CAR for a final decision and the customer notified within seven days.

d. **Credit Limit Review.** Credit limits for established public debt customers will be reviewed annually. Procedures used to assess credit may be supplemented with data generated from Millennium, such as sales volume and/or an analysis of the customer's payment history. The supplemental information will not carry any more weight than information obtained from external sources.

If a credit limit requires modification, the Chief, CAR or designee will send written notification, within seven days of review, to the customer's business address. All notifications with a negative impact on the customer, such as a credit limit reduction or cancellation, must include the name and address of the credit reporting agency providing the information. An appeal may be submitted as outlined in sub-section e. on Appeals.

e. **Appeals.** An appeal may be requested in writing by the customer or Business Group Manager. The request must be submitted to the Controller requesting a second review and determination. The Controller will review all of the information obtained by the Chief, CAR and make a final determination within 30 days.

9. **CUSTOMER NUMBERS.** The CSC will be responsible for assigning and entering customer numbers into the public debt database promptly, when requested. The Chief, CAR and Controller must be notified promptly after the customer number has been entered into the system.

10. **CREDIT MANAGEMENT MODULE.** Once implemented, Millennium's Credit Management Module must be used to track and maintain customer information, which includes TINs and DUNS. **Inmates may never access or view a transaction containing these fields.** However, until implemented, the CAR is responsible for the manual tracking and maintenance of customer credit limits.

11. **IMMEDIATE SALES TO CUSTOMERS.** Sales to customers prior to assessing credit and establishing a customer number may be granted, if a valid credit card or negotiable instrument is used. The customer must still complete a Substitute W-9 for submission to CAR as outlined in the section on Approval Process.

The sale may be processed using the applicable institution cash sales account number. The customer's name, address, phone number, and point of contact must be entered in the sales order's text field. This information is required in case the payment instrument is challenged.

12. **SALES EXCEPTIONS.** The sales terms and conditions for the Recycling Program are **Cash on Delivery (COD) only** and sales can only be completed after the following criteria have been met.

- completion of Substitute W-9;
- credit verification;
- trade and credit references indicate minimum risk in accepting preprinted company checks; and
- assignment of a customer number.

The payment for sales less than \$1,000 can be made by one of the following methods.

- company check (may be revoked at any time);
- cashiers check;
- money order; or
- credit card (VISA, Master Card, American Express)

The above method of payments, except company checks, can be made for sales more than \$1,000.

However, when a company's credit history is insufficient, payment may be required in the form of a cashier check, money order, or credit card.

13. **NON-FEDERAL DEBT.** Non-federal debt includes any debt owed to FPI by any source outside the federal government that may include one of the following categories:

- **Employees** - an employee is anyone currently working for the Bureau. Debt may be incurred through the advancement of funds for travel (i.e., temporary duty or permanent change of station), salary, or overpayment of benefits.
- **Former Employees** - a former employee is an individual who no longer works for the Bureau. Debt of former employees usually results from overpayment of benefits and/or failure to fulfil the 12-month service agreement.
- **Vendor** - individuals or businesses which may provide goods and/or services to FPI. The debt may be incurred when purchases are returned to the vendor.
- **Non-federal Customer** - customers that are not associated with the Federal Government. Occasionally, FPI provides goods and/or services to customers outside of the Federal Government. In addition, this type of debt may be generated through sales of scrap, recycled material, or disposal of excess inventory.

14. **CLASSIFYING NON-FEDERAL DEBT.** Receivables generated from all non-federal debt must be classified in General Ledger (G/L) Account 131500, Accounts Receivable Public Held for US Treasury Transfer. However, if the debt is transferred to Treasury or Department of Justice (DOJ) it must be classified in G/L Account 131510, A/R Public held for Treasury Transfer. Any delinquent debts that are over two years old will be transferred and collection efforts will continue.

15. **COLLECTING DEBT - EMPLOYEES.** The Business Manager is responsible for initiating collection efforts for current and departing employees in accordance with established procedures outlined in the Program Statement on Financial Management - Debt Management.

- **Current Employees** - internal salary offset.

- **Departing Employees** - payment in full or establishment of an accounts receivable. If an accounts receivable is established, the Chief, CAR must be notified promptly of the outstanding debt.

16. **COLLECTING DEBT - OTHER SOURCES.** In accordance with 31 CFR 900.2, a debt is considered delinquent if it has **not** been paid by the date specified in the initial written notification or contractual agreement.

a. **Dunning Procedures.** Generally, FPI initiates a notification of payment due with an invoice to the debtor. When a debt is overdue, the Chief, CAR or designee is responsible for ensuring the debtor is notified of the delinquency promptly by letter and telephone. All contacts must be documented in Millennium and the initial letter signed by appropriate staff must include the following information:

- the amount of the debt;
- a statement that interest will accrue monthly beginning on the date the debt becomes delinquent and that a penalty will be assessed annually as a percentage of the debt beginning 90 days after the debt becomes delinquent. The Current Value of Funds Rate (CVFR) will be used to calculate interest;
- the basis for the debt and the debtor's rights to inspect the records and seek a review;
- the applicable standards for assessing interest, penalties, and administrative costs;
- the date the payment is requested, which will not be more than 30 days from the date the invoice was mailed, unless otherwise authorized by the Controller;
- the debtor's opportunity to enter into a written agreement repayment agreement;
- the debt collection methods that may be used:
 - ▶ payment offset - administratively offsetting any payments due the debtor, tax refund, salary and/or Treasury offset;
 - ▶ referral to a private collection agency;
 - ▶ referral for litigation to the Department of Justice or FPI General Counsel;

- ▶ reporting discharged debt to the Internal Revenue Service (IRS) as potential taxable income; or
- ▶ reporting debt to a credit bureau.

If the debt is not recovered after the initial contact, a follow-up phone call must be made, in addition to sending a letter at least every 30 days. Each subsequent letter's tone must get progressively stronger and firmer and be signed by the Chief, CAR or designee. The final demand letter must be sent via certified mail when the debt is 150 days delinquent requesting payment within the next 30 days. The letter must also state FPI's intent to refer the debt to Treasury for collection, if it is not paid after the 180 (e.g., 150 plus 30) days.

b. **Internal Offset.** The internal offset is an administrative process that withholds funds owed to a vendor which will then partly or fully satisfy a debt owed to FPI.

Some of FPI's non-federal debt originates from purchasing goods received that do not meet specifications (i.e., defective material) or goods returned after payment has been made to the vendor. In some instances, the vendor may be used regularly and an internal offset can be used to collect the debt. Therefore, to ensure eligible payments are used as an offset, the Business Manager is responsible for notifying the Chief, CAR and Chief, Disbursement when it becomes known that a debt was incurred.

If the debt is still delinquent 30 days after the initial demand letter, the Chief, CAR must notify the debtor that the debt will be collected by internal offset. After the debt has been offset, the Chief, CAR must send a letter to the debtor advising that the payment was diverted to satisfy the outstanding debt. The funds collected by offset must be applied to assessed penalties, administrative costs, interest and principal, respectively.

An internal offset can still be done even if a vendor no longer does business with the location for which a debt was incurred. The Chief, CAR must ensure that the vendor number for the specific debtor is entered into the Customer Master in Millennium. In addition, the Chief, Disbursements will notify the Chief, CAR of any payments pending from other locations for the vendor that can be offset.

c. **External Offset.** The Department of Treasury designed the Treasury Offset Program (TOP), which maintains a database of known delinquent debtors. The program matches any planned payments scheduled to the recipient and any outstanding debts and diverts payment to the appropriate creditor.

17. **COMPROMISE OF CLAIM OR WRITE OFF/CLOSE-OUT.** A debt may be compromised, or written off, if the full amount cannot be collected because of:

- the debtor's inability to pay the full amount within a reasonable time or
- the debtor refuses to pay the claim in full and the Government cannot enforce collection proceedings in a reasonable time.

In accordance with the Program Statement on Financial Management - Debt Management, a Request for Compromise of Claim may be submitted by an employee or any person having a direct interest in the compromise. The request must be approved by the Director, Bureau of Prisons or designee.

Prior to submitting a delinquent non-federal debt to Treasury for cross-servicing, the Chief, CAR or designee may recommend the debt be written off. This recommendation must be based on guidelines established in the section on Overdue Accounts Receivable in the Program Statement on Central Accounts Receivable - FPI.

Once a debt has been determined to be uncollectible, the debt will be submitted for write-off and closeout. The following levels are established for write off authority:

- \$10,000 and under - Chief, CAR
- \$10,001 and over, but under \$50,000 - FPI, Controller
- \$50,000 and over - FPI, Deputy Assistant Director

Any debts over \$100,000 must have concurrence from FPI General Counsel and DOJ before closeout can be accomplished. The Chief, CAR is responsible for ensuring a Claim Collection Litigation Report (CCLR) is prepared for submission to the FPI General Counsel and DOJ, Civil Division and Commercial Litigation Branch. After approval from FPI General Counsel and DOJ, the Chief, CAR will ensure memos pertaining to the write-off and approval forms are submitted to Financial Management Branch, Central Office for debt closeout.

All compromise of claims and or write-off/close-out over \$600 must be reported to the Internal Revenue Service (IRS) on a 1099-C, Cancellation of Debt Form for the applicable tax year of the debtor.

18. **PAYMENT PLANS.** As an alternative to transferring a debt to Treasury, a written agreement detailing an installment plan may be arranged between FPI and the debtor upon recommendation by the Chief, CAR or designee. The agreement must be a written document containing the following elements:

- length of time (not to exceed three years);
- specify the monthly payment amount and due date;
- signed by the principal owner or designee and representative of the business with the authority to enter into binding agreements;
- monthly payment not less than \$50;
- language describing FPI's recourse if the customer defaults on the repayment agreement or Breach of Contract; and
- statement that a mutual release will be executed between FPI and the customer once the payment plan agreement is paid in full.

All payments will be applied to the oldest invoices on account. However, if a debtor breaches the agreement, a final notice will be issued giving the debtor 30 days to make payment. If the debtor fails to make payment the debt will be transferred to Treasury for collection or considered for litigation by DOJ.

19. **TRANSFERRING THE COLLECTION EFFORT TO TREASURY.** FPI is currently enrolled in Treasury's Cross Servicing Program, which includes, in addition to TOP, other debt collection assistance such as:

- credit bureau reporting,
- federal salary offsets, and
- if necessary, referral of debts to a private collection agency.

All eligible non-federal debt with a principal amount over \$100 that has been delinquent for 180 days must be submitted to Treasury for collection. Debts that are transferred to Treasury must reference the debtor's TIN. Debts that are less than 180 days may be transferred to Treasury, if the Chief CAR determines that the time line would hinder collection efforts.

The Chief, CAR or designee is responsible for submitting the pertinent documentation for each debt to Treasury and cease collection efforts. However, if the expectation is that the debt will be collected in full within three years from the date of delinquency through TOP, a payment plan, or CAR collection, the debt does not have to be transferred for collection.

When a debt is transferred to Treasury the Chief, CAR or designee must certify via a memorandum that:

- the information on the delinquent debts being submitted is accurate;
- the debts are legally enforceable and reasonable efforts have been made to obtain payment;
- the debtors have been afforded due process and notified properly as outlined in accordance with regulations; and
- the rationale for supporting a compromise of claim, if applicable.

The Chief, CAR or designee is also responsible for responding to any challenges the debtor makes to Treasury concerning the debt's accuracy and legitimacy.

Once the debt has been transferred, CAR must document in Millennium immediately that the debt was transferred to Treasury. At a minimum, the following information must be entered:

- local collection efforts will cease immediately;
- interest and penalty calculations will cease;
- the appropriate reason code is entered;
- the amount of accrued interest and penalty prior to transfer; and
- the status of collection efforts (i.e., internal offset requested, returned to field location, forwarded to the Bureau for Compromise of Claim, forwarded to Treasury, collected).

Upon transfer of the debt to Treasury for collection, the customer account should be blocked to prevent any further orders from being loaded. This process will prevent possible future losses. Any delinquent debt over 180 days, not transferred to Treasury, must be documented in Millennium explaining the reason for not transferring the debt to Treasury or DOJ for litigation.

20. **TREASURY DEBT SERVICING.** The Chief, CAR is responsible for determining if the debt should be referred to Treasury for collection or DOJ/FPI General Counsel for litigation. However, the minimum amount for litigation is \$2,500.

If the debt is transferred to Treasury manually, a complete information package to include the debtors' information must be prepared and forwarded to the Chief, CAR for certification to Treasury for debt servicing.

a. **Certification of Debt.** The Chief, CAR or designee must sign a Certification - Debt Collection for each debt or group of debts that is referred to Treasury for collection.

b. **Transfer of Debt to Treasury.** Once the debt has been certified by the Chief, CAR or designee, the complete package to include the Certification-Debt Collection and the Debt Information Sheets must be forwarded to the U.S. Treasury, Financial Management Service (FMS), Debt Management Service (DMS). If the debt is being transmitted to FedDebt electronically, CAR staff must submit an annual Certification Form to Treasury.

c. **Treasury Requests.** The Chief, CAR or designee must respond within five business days to DMS for any requests requesting information relating to the approval or rejection of the debtor's compromise offer or installment payment plans.

In addition, any request from DMS on missing mandatory elements or correct dollar amounts must be resolved by the Chief, CAR or designee within 15 business days or the debt will be returned to CAR.

d. **Collection by Treasury.** FPI must pay all fees related to a debt's collection as stated in the Letter of Agreement, regardless whether the debt was paid to DMS or FPI. In addition, all other charges associated with services rendered for collecting the debt (i.e., private collection agencies) are included in the amount DMS will attempt to collect from the debtor.

All funds collected by DMS, less any fees and charges will be transmitted to FPI's Agency Location Code (ALC) for CAR via IPAC. The Chief, CAR or designee must ensure the payment is applied to the appropriate receivable (e.g. principal, interest, penalty, administrative costs, etc.) and liquidated accordingly.

21. **DEBT RETURNED OR RECALLED FROM THE TREASURY.** There are instances that a debt may be returned or recalled from Treasury after the debt has been submitted to DMS for collection.

- **Returned Debt.** If DMS is unable to collect a debt after three years, it will be returned to FPI. At this point, the debt can be determined to be uncollectible and must be written off or transferred to DOJ for litigation, if the invoice date is less than six years and more than \$2,500.
- **Recalled Debt.** FPI may recall a debt after it has been submitted to Treasury for collection. A recall form must be completed and submitted to DMS to initiate processing the return of the debt.

When a debt has been returned, the receivable must be re-established in General Ledger (G/L) Account 131500, Public Billings and reversed out of G/L Account 131510, Accounts Receivable Public Held for US Treasury Transfer, transferred to Treasury and reversed when written off/close-out. An entry must be made in the text field of Millennium explaining the reason the debt was returned or recalled.

22. **TRANSFER OF DEBT TO DEPARTMENT OF JUSTICE (DOJ) FOR LITIGATION.** Debts that have a legal merit and are within the statutory date of six years from the invoice date may be forwarded to DOJ for litigation. The following criteria must apply to the debt:

- debt can be substantiated (validated);
- cost of collection is worth the action; and
- the statute of limitations has not expired (six years).

When a debt will be referred to DOJ for collection, the Chief, CAR must ensure that a CCLR is prepared and forward FPI Office of General Counsel (OGC) for review. The OGC will send the documentation to the DOJ Nationwide Central Intake Facility for debts less than \$1,000,000 and DOJ Civil Division for debts in excess of \$1,000,000.

All debts transferred for litigation must be reclassified into G/L Account 131510, Accounts Receivable Public Held for US Treasury Transfer, and cannot be closed out. However, when the debt is deemed to be uncollectible, the debt will be written off, and a 1099-C prepared for the applicable debtor tax year.

23. **ASSESSING INTEREST/PENALTY/ADMINISTRATIVE COSTS.** The Chief, CAR or designee is responsible for assessing interest and penalties for all delinquent debt as outlined in this section. However, the Chief, CAR may waive interest and penalties, if payment of the debt's principal amount will be received. This action must be documented in Millennium with other pertinent collection details.

- **Interest.** Interest will accrue and will be recorded on a monthly basis for all non federal debt beginning on the date the initial demand letter was mailed to the debtor, until the debt is collected or discharged. The interest rate used will be the Current Value of Funds Rate (CVFR) published by Treasury in effect on the date the interest begins to accrue. The rate initially assessed for the debt will remain fixed for the duration of the debt. However, interest will not be charged if the amount due is paid within 30 days after the date that interest has accrued.

The amounts accrued monthly will be recorded as a debit to G/L Account 131500, Public Billings (reference invoice number on customer account) and a credit to G/L Account 530010, Interest Income.

- **Penalties.** A penalty will be assessed annually for failure to pay a part of the amount due that is more than 90 days past due from the date of the initial demand letter. The penalty at a rate 6% or the rated authorized by Treasury will be assessed until the debt is collected in full or discharged. Interest and penalties will never accrue on interest or penalty charges.

24. **BANKRUPTCY.** If the debtor files a Chapter 7, 11 or 13 Bankruptcy procedure, the Chief, CAR or designee must prepare a Proof of Claim Form for filing with the Clerk of the Bankruptcy Court in the state for which the debtor filed. This form may also be submitted to the court by DOJ. The debtor must list UNICOR, Federal Prison Industries, Inc., as a creditor with the courts.

When proof has been provided that a debtor has filed for bankruptcy, FPI must adhere to all bankruptcy laws. Therefore, CAR will not accept any payments from the debtor and since there is an automatic stay on all debts, collection efforts will be suspended. If the debt has been referred to Treasury for collection, the debt must be recalled and collection efforts suspended.

The Chief, CAR or designee must ensure all bankruptcy cases are monitored periodically in the automated Public Access to Court Electronic Records (PACER) System. If the debt is dismissed or cancelled by the courts, CAR may resume collection actions. However, if the debt is discharged, CAR must prepare a 1099-C (if applicable) and close-out the debt.

25. REPORTING DEBT TO THE INTERNAL REVENUE SERVICE (IRS). Debts for amounts owed FPI for principal, interest and penalties, and/or administrative costs that have been compromised or written off for any entity, in excess of \$600 must be reported to the IRS on a 1099-C, Cancellation of Debt Form. The form must be completed in its entirety to include the debtors correct name and TIN (SSN or EIN) and copy B sent to the debtors last known addresses by January 31 of the applicable tax year.

In addition, if the form is prepared manually, copy A of the 1099-C must be submitted to the IRS by February 28 of the tax year and March 31 of the tax year, if the document is submitted electronically. CAR must also maintain a copy on file for approximately four years following the due date of the return.

/s/

Harley G. Lappin
Director