



UNITED STATES
DEPARTMENT OF
AGRICULTURE

RURAL
DEVELOPMENT

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June 11, 2002

USDA Rural Development Texas AN No. 567 (1951)

SUBJECT: State Policy on Collection Activities and Management Control Requirements

TO: All Offices
USDA Rural Development, Texas

PURPOSE/INTENDED OUTCOME: To establish concise direction on handling documentation pertaining to collections for USDA Rural Development programs, and on maintenance of collection files. To establish interim management control procedures for collections.

COMPARISON WITH PREVIOUS AN: This AN replaces AN No. 546 which expired May 31, 2002.

IMPLEMENTATION RESPONSIBILITIES: USDA Rural Development employees authorized to handle collections will do so in accordance with RD Instruction 1951-B, the draft wholesale lockbox process instruction dated November 6, 1997, Interim Management Control Procedures Collections (Reissued), Unnumbered Letter dated March 6, 2002, and instructions contained in this AN.

FILES TO BE MAINTAINED: Monthly collection files will be maintained unless the volume of collections is so minimal that monthly files are not practical. In this case, at least quarterly files will be maintained. The collections file will contain copies of the following:

- Form RD 1951-49, Register of Collections for Non-AMAS Collections
- Form RD 1951-60, Field Office Remittance Reconciliation Report (FORRR)
- Adding machine tape of all checks and/or money order amounts
- Adding machine tape of all money order fee amounts (if applicable)
- Adding machine tape of total application amounts on each collection document such as:
 - Form RD 451-2, Schedule of Remittance and
 - Form RD 1940-10, Cancellation of Disbursement and/or Obligation

EXPIRATION DATE:
May 31, 2003

FILING INSTRUCTIONS:
Following Instruction 1951-B

**USDA Rural Development is an Equal Opportunity Lender, Provider,
and Employer. Complaints of discrimination should be sent to:
USDA, Director of Civil Rights, Washington, DC 20250-9410**

Payments received in the local office will be recorded on the RD 1951-49, Register of Collections. These collections include Rural Utilities Service (RUS) payments which are sent directly to the Direct Pay Lockbox and not to the Wholesale Lockbox. The total of the RUS collections **will not** be included in the FORRR. Collections also include payments, which are submitted to the Wholesale Lockbox (WLB), Community Direct Pay Lockbox (DPLB), Centralized Servicing Center (CSC) or Farm Service Agency (FSA). Recording information on the RD 1951-49 will include the amount of the check, name of depositor with case and loan numbers, and date of credit. An annotation is to be made as to where the collection is being remitted, such as the WLB, DPLB, CSC or FSA.

Single Family Housing (SFH) collections are handled in accordance with the Rural Housing Service manual HB-1-3550. When a SFH payment is received in the field office, it will be mailed with the borrowers' billing statement (if applicable) or a substitute coupon to the address on the statement or coupon. Refer to the memorandum dated May 19, 1997 from the CSC for more detailed information. **SFH collections remitted by the local office will be recorded on the RD 1951-49, Register of Collections.**

We recognize that the field office staff has successfully encouraged borrowers with RUS loans to utilize the PreAuthorized Debit (PAD) payment process. Borrowers with Community Facilities loans are also eligible to utilize the PAD system.

Detailed instructions on collection processing are found in the attachment to the State Office CASH-LINK Phase Out memorandum dated November 7, 1997.

All collections received in the local office for Multi-Family Housing (MFH), such as credit report fees, sale of MFH properties, etc., will be forwarded to the MFH Payment Center in the State Office for processing through AMAS-CASH. Do not use forms RD 1944-9, MFH Payment Transmittal, or 451-2, Schedule of Remittance, to submit any MFH payments to the Finance Center.

SEPARATION OF DUTIES: Offices with three or more employees must ensure that at least two individuals are involved in the collecting and processing of payments; one to process the payments and one to review the accounting data. These duties should be rotated either monthly, quarterly or semi-annually to protect the integrity of the field office staff.

Separation of duties will consist of two employees involved in collecting borrower payments - one to control the payments and one to control the data. Spot checks of collection activities by the RDM will be made periodically. RDMs will review collection activities daily or when available to do so.

INTERIM MANAGEMENT CONTROL PROCEDURES FOR COLLECTIONS: The elimination of the Concentration Banking System (CBS), implementation of new electronic collection methods, and the implementation of the single family housing collection lockbox procedures have changed the management control requirements for handling and safeguarding collections in field offices. With publication of the revised RD Instruction 1951-B, Form RD 1951-44, Annual Review of District/County Collection Activities, will be revised to reflect these

new management control procedures. The revised form will combine the collections management control procedures and the guide for documenting the review of field office collection activities.

In the interim, Exhibit E (attached) will be utilized to document the review of collection activities. The Rural Development Manager (RDM) will assign a Community Development Specialist (CDS) in each office to perform reviews on collections when available, and monthly spot checks. The CDS is to initial the Form RD 1951-49 when performing the daily reviews.

The RDM will perform an annual review of collection activities each December using Exhibit E. A copy of the Exhibit will be sent to the Management Control Staff by December 31 of each year.

INSTRUCTIONS FOR PERFORMING REVIEWS: The monthly review will be performed by the assigned CDS. The annual review will be performed by the RDM. Annual reviews will be performed by the Management Control Staff for collections processed in the State Office.

The reviewer will select a representative judgment sample of collection activity to review (at least 2 business days of activity per month since the previous monthly review).

The reviewer will complete the guide indicating compliance or noncompliance. Noncompliance responses must be fully explained in the "comments" section at the end of the guide and have a recommended corrective action.

Upon completing the review, the reviewer will sign and date the guide and distribute a copy of the completed guide as follows:

For monthly local office reviews, the complete guide will be filed in the local office operational files (1951-B), with a copy to the RDM.

For annual oversight reviews, a copy of the completed guide will be sent to the Management Control Staff, and local office.

For annual oversight reviews of the State Office collections, a copy of the completed guide will be left with the reviewed section.

Any questions may be referred to Donna Freytag at 254-742-9704 or Esther Gonzalez at 254-742-9707.

/s/ Bryan Daniel
BRYAN DANIEL
State Director

Attachment (Exhibit E)

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EXHIBIT E

REQUIREMENT/REVIEW CRITERIA

#	Question	YES	NO	N/A
Safeguarding Collections:				
1.	Form RD 451-1, Acknowledgment of Cash Payments, is prepared for all cash receipts for all programs and is prepared in numerical sequence.			
2.	Cash is converted to draft, cashier's check, or money order.			
3.	Collections are generally paid by check or money order and not by cash.			
4.	All non-AMAS collections are posted to RD Form 1951-49, Register of Collections and all AMAS collections are date stamped and forwarded to CF/MFH Payment Center via overnight mail.			
5.	Cash, checks, and money orders are stored in a locked cabinet or locked drawer during the day and in a locked fireproof safe at night.			
6.	Miscellaneous collections are mailed to the designated lockbox each day.			
Processing Collections:				
7.	Collection documents (Forms RD 1951-49, 451-2, Schedule of Remittances, 370-46B, Payment Coupon, 3550-17, Funds Transmittal Report, 3550-26 and 3550-27, Substitute Payment Coupon.			
8.	Wholesale lockbox collections are balanced daily by preparing Form RD 1951-60, Field Office Remittance Reconciliation Report.			
9.	The Form RD 1951-49 is balanced daily to Forms RD 370-46B, 1951-60, 3550-17, 3550-26, 3550-27, and farm credit related collection items transmitted to the local Farm Services Agency office for processing.			
10.	Collections are sent to the correct location/designated lockbox address for the applicable collection method (wholesale lockbox, direct payment lockbox, RHS wholesale or retail lockboxes, etc.).			
11.	For collections received and submitted by field offices, borrower on-line account history and/or payment status screens are periodically checked (at least 2 business days per month) to confirm that collections are updated to the automated accounting system for the correct amount and date of credit.			
12.	Administrative collections (freedom of information fees) are sent with Form RD 104-1, Public Information Transmittal and/or Receipt, and/or a transmittal explaining disposition of funds to the lockbox address listed in RD Instruction 2018-F, Availability of Information, subsection 2018.255 (e)(3).			
13.	Cash collections over \$10,000 are reported to the Internal Revenue Service in accordance with RD Instruction 1992-E, Reporting Property Transactions to the Internal Revenue Service, subsection 1992.202.			

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Separation of Duties:				
14.	To the extent practical, at least two employees will be involved in receiving and processing collections. One employee receives collections and prepares the cash receipts and collection logs (i.e., Form RD 451-1, Form RD 1951-49); a second employee prepares the collection data for payment application (i.e., Forms RD 451-2, 3550-17, 3550-26, 3550-27, and 370-46B); and the first employee who received and recorded the collection (or third person) balances the daily collection items.			
15.	The daily collection log (Form RD 1951-49) is reviewed and initialed by an employee other than the employee who prepared the Form RD 1951-49.			
16.	The above duties are rotated at least semiannually.			
17.	The local supervisor reviews collection activities monthly and documents the results of the review on the interim review guide.			
File Maintenance				
18.	Operational files are maintained in accordance with RD Instructions 2033-A, Records Management in State, District, and County Offices, and 1951-B.			
19.	Forms RD 451-1 are stored in a locked fireproof cabinet.			
20.	The numeric sequence of numbers listed on Form RD 2024-6, Notice of Transmittal and Receipt, used to transmit new supplies of Form RD 451-1 booklets to field offices, agree with the sequential numbers on Form RD 451-1's.			
21.	Copies of Forms RD 2024-6 acknowledging cash receipt books are filed in the operational file.			

Local Office: _____

Month(s) Reviewed: _____

Signature of Reviewer: _____

Date of Review: _____

Comments: