

**SUMMARY OF MAJOR CHANGES TO
DOD 7000.14-R, VOLUME 4, CHAPTER 3
“RECEIVABLES”**

Substantive revisions are denoted by a ★ preceding the section, paragraph, table, or figure that includes revision.

Hyperlinks are denoted by underlined, bold, italic font.

PARA	EXPLANATION OF CHANGE/REVISION	PURPOSE
030307	Deletes exemption for interest, penalties, and administrative charges for state and local governments in accordance with Title 31 U. S. C. Section 3701(c).	Update
Annex 1 A.1.	<u>General.</u> Deletes exemption for interest, penalties, and administrative charges for state and local governments in accordance with Title 31 U. S. C. Section 3701(c).	Update

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RECEIVABLES

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CHAPTER 3**RECEIVABLES**0301 **GENERAL**

030101. The purpose of this chapter is to issue policy for the recognition, recording, and reporting of public and federal (hereafter referred to as intragovernmental) accounts receivable. Additionally, this chapter addresses the recognition, recording, and, if not collected, eventual write-off and close out of public receivables or the recording and adjusting/correcting of intragovernmental receivables. Annexes to this chapter address procedures for the interest, penalties, and administrative charges ([Annex 1](#)); and breakeven analysis ([Annex 2](#)).

030102. Receivables shall be recorded when recognized or earned, and collected when due. The Statement of Federal Financial Accounting Standards (SFFAS) [1](#) requires that receivables be recognized when a federal entity establishes a claim to cash or other assets against other entities either based on legal provisions, such as a legislative requirement, a payment due date, or goods or services provided. Further, [SFFAS 1](#) requires that receivables from intragovernmental receivables be reported separately from receivables from public entities. Intragovernmental and public receivables are treated differently because of the different legal and administrative requirements and concepts that apply to them.

0302 **DEFINITIONS**

030201. **Accounts Receivable**. Receivables arise from claims to cash or other assets against another entity. At the time revenue is recognized and payment has not been received in advance, a receivable shall be established. Receivables include, but are not limited to, monies due for the sale of goods and services and monies due for indebtedness. Examples of indebtedness to the Department of Defense (DoD) include overdue travel advances, Federal Employee Health Benefits paid while employee is in leave without pay status, dishonored checks, fines, penalties, interest, overpayments, fees, rent, claims, damages, and any other event resulting in a determination that a debt is owed to the DoD.

030202. **Accounts Receivable Office (ARO)**. The ARO (as used in this chapter) is the office responsible for the recording and reporting of receivables and can also be the office responsible for debt collection. In most, but not all cases, the ARO is located at a Defense Finance and Accounting Service (DFAS) site.

030203. **Allowance for Loss on Accounts Receivable**. A method for recognizing that some public accounts receivables will not be collected in full. The allowance method focuses on recognizing bad debts as a percentage of receivables rather than on an item-by-item basis.

030204. Close out (applies to public debt only). A DoD Component responsible for debt collection closes out a debt when it determines that further debt collection actions are prohibited (e.g., a debtor is released from liability in bankruptcy), or the DoD Component does not plan to take any future active or passive actions to try to collect the debt. Close out may occur concurrently with the write-off of an account receivable or at a later date, depending on the collection strategy and the ultimate determination that the debt has been discharged. At close out, the DoD Component may be required to report to the IRS the amount of the debt as potential income to the debtor on IRS Form 1099C. Within DoD, the Debt Management Office (DMO), the Debt and Claims Management Office (DCMO), and the Tax Office (TO) are responsible for issuing the IRS Forms 1099C. Definitions for these offices are in paragraphs 030207, 030208, and 030209.

030205. Current Nondelinquent Receivables. Nondelinquent debts are categorized as current and noncurrent assets. The portion of a non-delinquent debt that is scheduled to be collected in the next 12 months goes in current; the portion of a non-delinquent debt scheduled for collection after 12 months goes in non-current. The importance is to inform the DoD and the Department of the Treasury (Treasury) of the expected cash flow/liquidity of the asset (i.e. current vs. noncurrent asset).

030206. Currently Not Collectible (CNC). At the time of write-off, the DMO, DCMO, or other debt collection agency shall classify the debt as CNC when it intends to continue cost-effective debt collection action. Debts will be reported as CNC until collected or closed out.

030207. Debt and Claims Management Office (DCMO). The DFAS Office that services referred individual out-of-service debt.

030208. Debt Collection Office (DCO). The DCO is responsible for debt collection and serving due process. This includes the DMO, DCMO, Foreign Government Debt Management Office (FGDMO), and all other debt collection activities. The ARO can also be the DCO.

030209. Debt Management Office (DMO). The DFAS Office that services referred vendor/contractor debt.

030210. Delinquent Receivables. Delinquent accounts receivable are receivables that have not been paid by the date specified in the initial written demand for payment or applicable agreement or instrument (including a post-delinquency repayment agreement) unless other satisfactory payment arrangements have been made. Receivables which are recorded as delinquent are aged starting one day after the payment due date or other agreed upon date, depending on the agreement or instrument. If an installment agreement is provided and the payment is not made by the due date, then the entire balance of the receivable becomes delinquent from the original payment due date or other agreed upon date. If the payment is not made according to the agreed upon installment, then the full amount of the account and related interest and penalties, if any, are reported as delinquent.

030211. DoD Component. Refers collectively to all organization entities within DoD. This includes the Services, Defense Agencies, field offices, etc.

030212. Entity Receivables. As defined by the [SFFAS 1](#), entity receivables are amounts that a federal entity claims for payment from other federal or nonfederal entities and that the federal entity is authorized by law to include in its obligation authority or to offset its expenditures and liabilities upon collection.

030213. Foreign Government Debt Management Office (FGDMO). The DFAS Office that services referred non-Foreign Military Sales foreign government debt.

030214. Intragovernmental Receivables. Intragovernmental receivables are claims of a federal entity against other federal entities. Intragovernmental receivables are either within DoD (e.g., a Service (Army)) or outside DoD (e.g., General Services Administration).

030215. Noncurrent Nondelinquent Receivables. Noncurrent nondelinquent accounts receivable are nondelinquent receivables that will not become due within 12 months after the receivable is established.

030216. Nondelinquent Receivables. Nondelinquent accounts receivable are receivables that have not been billed or are not due under the contract or billing document pertaining to the receivable. This also includes rescheduled receivables and receivables under an installment agreement.

030217. Nonentity Receivables. As defined by the SFFAS 1, these are receivables that the DoD collects on behalf of the U.S. Government or other entities, and the DoD is not authorized to use. Nonentity receivables are reported separately from receivables available to the DoD (entity receivables). Nonentity receivables include governmental receipts and collections arising from the sovereign and regulatory powers unique to the federal government, e.g., interest, penalties, income tax receipts, customs duties, court fines, certain license fees, etc. The DoD accounts receivable in canceled accounts are also nonentity receivables, because collections received after an appropriation cancels are deposited in the Treasury's Account 3200, "Collections of Receivables from Canceled Accounts." Nonentity receivables are to be recorded as a receivable and a custodial liability.

030218. Public/Nonfederal Receivables. Public/nonfederal receivables are claims of the DoD or an entity within the federal government against nonfederal entities. The term "public/nonfederal entities" encompasses domestic and foreign persons and organizations outside the U.S. Government, including Nonappropriated Fund Instrumentalities (NAFI) and Foreign Military Sales (FMS). Examples are: salary/travel overpayments; overpayments to commercial concerns due to duplicate and erroneous billings; incorrectly computed invoices; non-FMS foreign government fuel purchases; contract default; amounts due for items rejected or returned; and amounts due on payments for contractual services such as rent, insurance, and transportation purchased, where such contracts are canceled and adjustments are made for the unused portion.

030219. Reimbursements. Reimbursements are amounts earned and collected for materials sold or services furnished as a result of a reimbursable agreement.

030220. Rescheduled Receivables. Rescheduled receivables are receivables that have been subject to rescheduling, forbearance, reamortization, or any other form of extending the future of the original payment(s) or payment due dates.

030221. Treasury Report on Receivables (TROR). The TROR is a quarterly report of receivables prepared in compliance with the Treasury guidance. It provides a means for collecting data on the status and condition of the total receivable portfolio from public sources.

030222. Write-off. Write-off is an accounting action that results in removing the nonfederal (public) receivable from the DoD Component's financial accounting records/financial statements. Write-offs are classified as either CNC or close out by the DCO.

0303 RECEIVABLES POLICY AND PROCEDURES

030301. General. When payment is not received in advance or at the time revenue is recognized, a receivable shall be established. Receivables shall be recorded when earned from the sale of goods and services or when a receivable is recognized. Accounting records for receivables shall be maintained so that all transactions affecting the receivables are included in the reporting period of occurrence. There shall be immediate recording of events not previously recorded due to error or oversight; due dates for such items shall be established in the first notification to the debtor. If the exact amount of a receivable is unknown, a reasonable estimate shall be made.

030302. Advance Payment. An advance payment is required for orders from the public, including state and local governments except for fuel, as the sale of petroleum products to the public is covered by a fuel purchasing agreement. The order must be accompanied by an advance equivalent to the actual or estimated cost of goods and services, except for cross servicing agreements with foreign governments, NAFI, patient charges at medical treatment facilities, natural disasters, immediate wartime requirements, or any exemptions authorized by law. An advance payment from foreign governments for FMS is held and recorded in the FMS Trust Fund. Written requests for an exception to the requirement for an advance shall be submitted to the Office of the Under Secretary of Defense (Comptroller) and must be approved in advance of the order being accepted by the performing activity.

030303. Sales of Goods and Services. Intragovernmental materials sold or services furnished shall be authorized and documented in a support agreement between the provider and ordering entity. The cost of the materials or services is first borne by the activity providing the materials or performing the services (performer). The activity receiving the materials or services (ordering entity or customer) pays the performing activity. Uncollected amounts earned from reimbursable sales are recorded as accounts receivable.

030304. Recording. In accordance with paragraph 030301, receivables will be recorded in the applicable accounting system during the month the receivable occurs. DCOs shall ensure that the appropriate ARO is advised that a receivable is to be established in the applicable accounting system. DCOs will provide the ARO with signed copies of indebtedness notices and other appropriate documentation to support entries in the accounting system and will provide the status of the debt which includes: beginning debt balance, collections, adjustments, current ending balance and notice of discontinuance of collection efforts.

030305. Collection. The collection of receivables shall be aggressively pursued for amounts due from DoD Components, federal agencies, and the public. The due date for a receivable normally is 30 days from the date of invoice or notice of payment due, unless a specific due date is established by statute, contract provision, or notice of indebtedness. Collection actions shall be initiated when payment becomes due. Funds shall be collected in the appropriation that earned the funds, unless otherwise specified by law.

030306. Allowance Account and Aging

A. An allowance for uncollectible accounts receivable due from the public shall be estimated and recorded per section 030405 below.

B. No allowance for uncollectible accounts shall be recorded for intragovernmental receivables, non-loan interest, penalties, and administrative charges.

C. The AROs (on behalf of the DoD Components) shall age both nondelinquent and delinquent accounts receivable and provide the schedule in the notes to the financial statements. For delinquent accounts receivables, the ARO, in conjunction with the DoD Components, shall provide a narrative explanation stating the collection action being pursued. See section 0307 and Figure 3-1.

D. Aging of receivables (delinquency) starts one day after the due date for both public and intragovernmental (within and outside DoD) receivables.

★ 030307. Interest Receivable. Interest is accrued when an amount due is not received by the established due date. An interest receivable shall be recorded for the amount of interest income earned but not received for an accounting period. An interest receivable shall be recorded as it is earned on investments in interest-bearing securities. Interest also shall be recognized on outstanding accounts receivable against persons and entities in accordance with (IAW) provisions in Title 31, United States Code (U.S.C.), 3717, Interest and Penalty Claims. Until the interest payment requirement is officially waived by the government entity or the related debt is closed out, interest will accrue. Note, however, that debts owed by any federal agency (including NAFI) are exempt from interest, penalty, and administrative charges. See [Annex I](#). Interest receivable is considered a nonentity receivable.

030308. Payment Application. When a debt is paid in partial or installment payments, amounts received shall be applied first to outstanding penalties, second to administrative charges, third to interest, and last to principal, per Federal Claims Collection Standards, Title 31, Code of Federal Regulations (CFR) [§901.9 \(f\)](#).

030309. General Ledger Accounting. Information on receivables shall be developed, maintained, and reported using the United States Standard General Ledger (USSGL) accounts depicted in [Volume 1, Chapter 7](#) of this regulation. The first four digits of the accounts receivable general ledger account shall conform to the USSGL chart of accounts. USSGL accounting transactions for collections and receivables are at: <http://www.fms.treas.gov/ussgl/>.

030310. Internal Controls. The basic standards for internal controls prescribed in DoD Directive 5010.38, “Management Control Program,” shall be adhered to in establishing and collecting receivables.

A. Major categories of receivables shall be maintained to facilitate clear and full disclosure of accounts receivable, e.g., disclose the debtor, the amount, the age, and the type of debt. Subsidiary records shall be reconciled to the control accounts on at least a monthly basis.

B. Proper internal controls require the separation of duties; e.g., a technician responsible for creating cash or check due transactions cannot also be responsible for collecting cash or checks.

030311. Erroneous Accounts Receivables. During the triannual review as required in [Volume 3, Chapter 8](#), receivables shall be reviewed for completeness, accuracy, and supportability. Abnormal or erroneous accounts receivable shall be promptly researched and resolved.

030312. Invalid Accounts Receivables. If at any time it is determined that a debt was never owed and should not have been classified as an accounts receivable, the entries that established the accounts receivable will be reversed.

030313. Unsubstantiated Accounts Receivables. If at any time a billing DoD Component does not have or cannot produce the evidence necessary to establish a claim and has not been able to obtain the voluntary repayment of the debt, the entries that established the accounts receivable will be reversed.

030314. Canceled Appropriations. AROs shall retain all outstanding receivables in the residual records even though an appropriation cancels. When the appropriation cancels, the receivable becomes a nonentity receivable. Appropriation cancellation does not relieve the DoD of the responsibility to pursue collection or recovery. Collections received after an appropriation cancels shall be deposited in the Treasury’s Account 3200, “Collections of Receivables from Canceled Accounts.”

030315. Nonappropriated Fund Instrumentalities (NAFI) Receivables. Receivables from NAFIs shall be recorded as transactions with the public. They shall be included in the quarterly TROR. With the exception of individual debt, NAFI delinquent debt shall not be referred to the DMO or to the Treasury for collection assistance.

030316. Foreign Military Sales (FMS) Receivables. Receivables from the FMS Trust Fund (appropriation 11X8242) shall be recorded as transactions with the public, and they shall be included in the TROR. Other Security Assistance receivables, e.g., the Foreign Military Financing Program, Grants, and Funds Appropriated to the President (11*1082), shall be recorded and reported as intragovernmental receivables. The FMS delinquent accounts receivable shall not be referred to the DMO or to the Treasury for collection assistance. See [Volume 15, Chapter 5](#) of this regulation for guidance on FMS receivables.

030317. Non-FMS Foreign Government Receivables. All United States DoD non-FMS accounts receivable billings should be forwarded to the FGDMO for billing and collection action. Proper documentation must accompany the billing request. The accounts receivable is established and maintained at the field site. Once collection is received from the foreign entity, the field sites are reimbursed to satisfy their accounts receivable. Refer to [Volume 6A, Chapter 12](#) for further information on non-FMS foreign government receivables.

030318. Retention of Documentation. DoD Component fund holders, AROs, and DCOs will maintain documentation to support actions taken on each accounts receivable. This includes, but is not limited to, documents supporting:

- A. establishing the receivable
- B. due process requirements
- C. research and resolution of abnormal or erroneous balances
- D. reversal of entries establishing the receivable
- E. termination, write-off and close-out of receivable

030319. Obligations. Obligations for receivables shall be established as required in [Volume 3, Chapter 8](#), paragraph 080301.A of this regulation. For any receivables deemed delinquent and not obligated, the obligation shall be established in the appropriation that created the receivable.

030320. Undistributed Collection Balances. Undistributed collection balances shall be analyzed and reconciled monthly to ensure all collected amounts are properly credited to the proper appropriation fund balance with the Treasury and applicable accounts receivable accounts.

0304 PUBLIC RECEIVABLES

Receivables due from the public are claims of the DoD, or an entity within the federal government, against nonfederal entities, to include public entities, domestic and foreign persons and organizations outside the U.S. Government. Public receivables are created from the sales of goods or services when an advance is not first received (advance payment exceptions are in paragraph 030302) or from refunds due to the DoD.

030401. Debt Collection Policies. The DoD policies for credit management and debt collection are delineated in other volumes of this regulation as listed below. The receivables policy in this chapter is not intended to override the debt collection policy contained in these other volumes.

A. Policies and procedures for collection of debt from individuals are in Volume 5, Chapters 28 through 32 of this regulation.

B. Policies and procedures for loss of funds cases are in Volume 5, Chapter 6 of this regulation.

C. Policies and procedures for salary offset to collect debts owed the federal government by military members or civilian employees are in Volumes 7A, 7B, 7C, and 8 of this regulation. Volumes 7A, 7B, 7C, and 8 of this regulation also address collection of child support, alimony, or commercial debts from the pay of military members or civilian employees through garnishment or involuntary offset.

D. Policies and procedures for collection of commercial or contractor debt are in Volume 10, Chapter 18 of this regulation. Additionally, the Federal Acquisition Regulation (FAR), Part 32.6, “Contract Debt,” prescribes policies and procedures for ascertaining and collecting contract debts, charging interest on the debts, deferring collections, and compromising and terminating certain debts.

E. Policies for collection of debts from foreign countries are in Volume 6A, Chapter 12 of this regulation. Non-FMS foreign government debts become delinquent one day after the FGDMO billing due date to the foreign government. All foreign government debts will be referred to the FGDMO for billing and collection action. All non-FMS foreign government debts for fuels will be referred to DFAS-Columbus for billing and collection action.

030402. Management of Receivables from the Sale of Goods and Services to the Public

A. Upon receipt of a collection voucher, the ARO shall record the collection in the accounting system and report the collection to the Treasury. If an abnormal balance results from recording the collection, the ARO shall research and resolve the abnormal balance.

B. The ARO shall refer delinquent accounts receivable for further collection action as required by debt collection policy referenced in section 0303 and 0304 of this chapter.

C. The ARO shall report public receivables in accordance with TROR instructions located at the Treasury website <http://www.fms.treas.gov/debt/dmrpts.html>.

030403. Management of Refunds Receivable. Refunds receivable are funds due to the DoD. There is not a separate account for refunds receivable in the USSGL. Refunds receivable are treated as accounts receivable.

A. Examples of refunds receivable are:

1. Salary overpayments.
2. Overpayments to commercial concerns due to erroneous billings, incorrectly computed invoices, or contract default.
3. Amounts due for items rejected or returned.
4. Amounts of recovery due on payments for contractual services, such as rent, insurance, and transportation purchased, where such contracts are canceled and adjustments made for the unused portion.

B. Non-DCO agencies (e.g., contracting offices, fundholders) will notify the payment office (i.e., the DCO) that a debt exists. For contracting offices, guidance is contained in the FAR, Part 32, Contract Financing. The DCOs shall ensure the appropriate ARO is advised that a receivable is to be established in the applicable accounting system. Such notification shall be made in the same accounting cycle that the debt is recognized.

C. Upon receipt of a collection voucher, the ARO shall ensure that the collection is recorded in the accounting system and reported to the Treasury. If an abnormal balance results from recording the collection, research and resolve the abnormal balance.

D. The DCO shall refer delinquent accounts receivable for further collection action as required by debt collection policy references in section 0304 of this chapter.

E. The ARO shall report public refunds receivable in accordance with TROR instructions located at the Treasury website <http://www.fms.treas.gov/debt/dmrpts.html>.

030404. Management of Collection Actions. Accounts receivable shall be aged to allow for the management of collection actions.

A. The due date for a receivable is normally 30 days from the date of invoice or notice of payment due unless a specific due date is established by statute, contract provision, or notice of indebtedness. The initial demand for payment shall include a complete explanation of the debtor's rights, responsibilities, and additional charges that may be levied.

B. Uncollected public vendor debt of less than \$600 and individual out-of-service debt of less than \$225 shall be collected or written off and closed out within one year of delinquency in accordance with section 030406. This debt shall not be referred for further collection action unless mandated by public law.

C. Individual out-of-service debt of \$225 or more shall be referred to the DCMO for collection when the individual separates from service and all required accounts receivable billing and follow-up action has been completed in accordance with the debt collection policy referenced in section 0303 of this chapter. For retired military and annuitant debts, all debts should be referred to the Defense Retiree and Annuitant Pay System. Multiple debts to the same individual totaling \$225 or more shall be consolidated and referred as one debt package.

D. Delinquent vendor debt of \$600 or more shall be referred to the DMO for servicing no later than 60 days after the payment due date. Multiple debts to the same vendor totaling \$600 or more shall be consolidated and referred as one debt package.

E. The DCMO or DMO will refer delinquent public receivables over 180 days old to the Treasury for further collection action IAW [31 U.S.C. 3711](#), subsection (g), and the TROR instructions referenced in section 030402C of this chapter. Only those activities with specific authority will refer these aged debts.

1. In accordance with [31 U.S.C. 3711](#), subsection (g), exceptions to the requirement to refer debt to the Treasury include debts or claims that: (a) are in litigation or foreclosure; (b) will be disposed of under an asset sales program within 1 year after becoming eligible for sale, or later than 1 year if consistent with an asset sales program; (c) have been referred to a private collection contractor for collection for a period of time approved by the Secretary of the Treasury, (d) will be collected under internal offset, if such offset is sufficient to collect the claim with 3 years after the date the debt or claim is first delinquent (e) are foreign government debts, (f) are state and local government debts, or (g) are NAFI debts.

2. The Treasury, after due process, returns uncollected public receivables to the sender (length of time varies based upon collection actions taken by the Treasury).

3. Treasury-referred debts that are returned due to failure to collect that are \$100,000 to \$500,000 must be referred to the Treasury for concurrence to terminate collection action. Debts \$500,000 or more must be referred to the DOJ. Debts returned that are less than \$100,000 can be terminated for further collection action by the DMO upon coordination with the appropriate fundholders.

030405. Establishment of Allowance for Loss on Accounts Receivable. The ARO shall record an allowance for loss on accounts receivable, which shall provide for reducing gross receivables by the amount of the estimated loss to their net realizable value.

A. The SFFAS 1 states that losses on receivables should be recognized when it is more likely than not that the receivables will not be totally collected; the phrase “more likely than not” means more than a 50 percent chance of loss.

B. The allowance for loss on accounts receivable shall be reestimated at least annually. The recording of the annual allowance will be prorated and recorded monthly. The methodology will be based on the history of bad debt expense. The allowance will be based on percentages determined from the last three years of bad debt experience. The percentages used by each DoD Component will be determined using historical bad debt expense for each delinquent age category greater than 90 days old. The determined percentages will be applied to the total amount in each age category. The resultant allowance will be used for the new fiscal year. In those instances when one DoD Component sub-allocates funds to another DoD Component, the office executing the funds will be responsible for establishing the allowance for loss on accounts receivable. The Office of the Under Secretary of Defense (Comptroller) may approve exceptions when abnormal circumstance skews the 3 year average.

C. The write-off of receivables must be processed through the allowance for loss on accounts receivable account. If the allowance account has been depleted as a result of write-off activity, then it must be immediately reestimated and re-established.

D. Each debt greater than \$100,000 must be analyzed to determine the loss allowance. Loss estimation for each account shall be based on: (a) the debtor’s ability to pay, (b) the debtor’s payment record and willingness to pay, and (c) the probable recovery of amounts from secondary sources, including liens, garnishments, cross collections and other applicable collection tools. Agencies with a low number of debts or a large number of small dollar debts may lower the threshold. However, consistent methodology must be used from year-to-year.

030406. Write-off and Close out of Public Accounts Receivable. General provisions for the collection, write-off and close out of public accounts receivable are established in OMB Circular A-129, “Policies for Federal Credit Programs and Non-Tax Receivables.”

Write-off is mandatory for public delinquent debt that has not been collected within two years of delinquency unless documented and justified to OMB in consultation with the Treasury. See paragraph 030404.B for vendor debts under \$600 and individual out-of-service debts under \$225.

A. Write-off. The DMO shall provide the ARO with documentation to support write-off of the receivable and also shall provide the history of all research and debt collection efforts. When received, the ARO shall immediately provide the documentation to the fundholder for concurrence for write-off and notify the DMO that the request for concurrence was sent. If the fundholder concurs, the ARO will write-off the debt, record an obligation if one has not already been recorded and notify the DMO. If the fundholder nonconcurs or does not respond the following applies:

1. The fund holder shall respond within 30 days of request for write-off. If a response is not received within 30 days, the ARO shall write off the debt and record an obligation if one has not already been recorded.

2. If nonconcurring, the fundholder shall provide the ARO with additional written evidence to enable the collection of the debt. The ARO shall only make one additional attempt to collect (i.e., issue one additional demand letter).

3. If payment is not received after following procedures outlined above, the ARO shall write off the debt record an obligation if one has not already been recorded. The ARO will notify the fund holder and the DMO that the debt was written off.

B. Currently not collectable (CNC).

1. Once the debt is written off, it must either be classified as CNC or closed out. Debts in CNC status are reported on the TROR and are still eligible for Treasury's cross-servicing and offset programs.

2. Public debt shall be classified as CNC only if the criteria listed below are met:

a. The vendor debt is \$600 or more or the individual out-of-service debt is \$225 or more.

b. All debt collection actions referenced in sections 0303 and 0304 of this chapter have been pursued.

c. It is cost effective to continue collection efforts.

3. CNC debt shall be continuously reviewed and, as required, reclassified and closed-out.

4. When the Treasury is able to collect on a CNC or closed out receivable and remits funds to the DMO, ARO or DoD Component, reverse the write-off, reestablish the receivable and record the collection against the receivable.

C. Close-out of Indebtedness. Debt write-off and close out may occur at the same time, or close out may follow write-off by a substantial period of time. When it has been determined that the debt is not collectible (e.g., returned from the Treasury uncollected or further collection action would not be economically feasible), the DMO shall notify the fund holder for concurrence to close out the debt. If the fund holder nonconcur or does not reply, the following applies.

1. The fund holder shall respond within 30 days of request for close-out. If a response is not received within 30 days, then the debt shall be closed out.

2. If nonconcurring, the fund holder shall provide the DMO with additional written evidence to enable the collection of the debt. The DMO shall only make one additional attempt to collect (i.e., issue one additional demand letter).

3. If payment is not received after following procedures outlined above, then the debt shall be closed out and the fund holder notified.

4. Once a debt has been closed out, it cannot be reactivated, and the federal government cannot take any further administrative or legal action to collect the debt. The federal government, however, can accept voluntary repayment of the debt at any time. Once the fund holder has decided to close out the debt, the DMO and DCMO have primary responsibility for close out actions and 1099C IRS reporting for all referred debts. Close out for foreign government debts will be accomplished by the FGDMO IAW [Volume 6A, Chapter 12](#).

D. Tax Reporting. All closed-out uncollected public vendor and contractor debt will be forwarded to the DFAS Tax Office, (Debt Management Office/Treasury Support Branch), DFAS Columbus, Attn: DFAS-CKSD/CO, PO Box 182317, Columbus, Ohio 43218-2317) for tracking, consolidation, and reporting. In accordance with 26 U.S.C. 6050P, the Tax Office will issue a 1099C if the consolidation of individual closed debts exceeds \$600 for the calendar year. Data elements required by the Tax Office for consolidating and reporting the closed debts include:

1. Tax Identification Number
2. Contractor Name
3. Contractor Address
4. Country Code
5. Date Account Closed
6. Principal
7. Interest
8. Administrative Charges and Penalties
9. Debt Reason Description
10. Bankruptcy

0305 INTRAGOVERNMENTAL RECEIVABLES

030501. Receivables due from DoD Components or other federal entities are intragovernmental receivables and should be reported separately from receivables due from public entities.

030502. DoD Performing Entity Responsibilities. The performing entity shall ensure the obligations and accrued expenditures incurred for completed performance are promptly recorded as earned orders (filled customer orders), and shall ensure the earned orders are promptly charged and collected from the ordering entity. The performing entity shall:

A. Receive a customer's order, which shall be verified against the agreement serving as the basis for the order, such as a Department of Defense (DD) Form 448, "Military Interdepartmental Purchase Request (MIPR).” The amount of the order shall be recorded as an unfilled customer order.

B. Reverse the unfilled customer order and record a filled customer order (i.e., earnings) uncollected upon receiving documentation showing that goods or services were provided. The responsible technician shall record the receivable and charge the customer. If an abnormal balance results from reversing the unfilled customer order, research the abnormal balance and promptly resolve the issue.

C. Reverse the filled customer order uncollected (i.e., earnings) and record a filled customer order collected upon receipt of a collection voucher. If an abnormal balance results from reversing the filled customer order uncollected, research the abnormal balance and promptly resolve the issue.

D. Ensure that collection vouchers are recorded in the accounting system and reported to the Treasury in the accounting month the collection was received.

E. Review unearned and earned orders and determine that recorded orders are supported with an order or contract. For public orders, ensure an advance payment is received IAW paragraph 030302.

F. Research any abnormal unfilled customer order balances; such balances indicate that an order may not be recorded. Research any abnormal filled customer orders uncollected balances; such balances indicate that collections may have been incorrectly recorded. Promptly resolve these abnormal balances.

G. For orders not filled from inventory (e.g., supply issues from materiel systems); obtain the accounts payable transaction history. Review obligations and accrued expenditures recorded and determine whether the accruals are supported with a reimbursable agreement or a document evidencing that a payment is due. Unsupported obligations and accrued expenditures should be thoroughly researched, and the necessary corrective actions should be taken. Copies of all reimbursable orders should be available to ensure that all obligations and

accrued expenditures are recorded correctly. Balance the receivables and collections (earnings) relating to the reimbursable program of the performing activity with the accrued expenditures paid and unpaid of the same performing activity.

H. Obtain the billing transaction history from the ARO. (Billing transaction histories shall be provided within 30 days.) Ensure that billings are against the correct order and, consequently, billed against the correct obligation. Request copies of documents supporting that a payment is due; reconcile these documents with the related accounts receivable. Any discrepancies should be resolved by adjusting the accounts receivable to the appropriate amounts.

I. Upon receiving a request for supporting documentation, provide a copy of an agreement, contract, and/or proof of performance or delivery within 30 days of request.

J. If a charge is disputed or rejected, review supporting files promptly. The intragovernmental dispute process is outlined in paragraph 030505A.

K. Research unmatched disbursements and negative unliquidated obligations as required by **Volume 3, Chapter 11**, section 1107 of this regulation.

L. Unless authorized by law to perform nonreimbursable work, DoD performing activities will not perform reimbursable work for another Federal Agency that is 90 days or more in arrears in payment of previous reimbursable billings. This restriction can be waived by the Office of the Under Secretary of Defense if in the national interest to do so.

030503. DoD Ordering Activity Responsibilities

A. The ordering activity shall review all charges from the performing activity to ensure that amounts due are in agreement with the reimbursable orders and are supported with a copy of the order or contract and evidence of performance.

B. Transportation charges that cannot be matched to an accounts payable transaction, or that cannot be charged back, shall be charged against an alternate line of accounting. Charges against an alternate line of accounting shall be researched and charged to the proper line of accounting upon completion of research.

C. If the bill is supported, but the order or obligation is not recorded in accounting, record the order or obligation immediately.

030504. Management of Collection Actions. Accounts receivable shall be aged. Aging allows for the management of collection actions. Delinquency date starts one day after the due date.

A. Charges arising from transactions within the DoD and with other federal departments and agencies shall be recorded as accounts receivable in the accounting month earned.

B. Bills arising from transactions which contain a National Stock Number within the DoD will be collected through the Military Standard Billing System (MILBILLS) interfund billing procedures when supported by the supply and accounting systems. The provider will not accept a MIPR if interfund can be used. Manual billing (i.e., the XP fund code) will not be used unless approved by the Deputy Chief Financial Officer. For intragovernmental interfund disputes, follow the dispute process outlined in [DoD Manual 4000.25-7](#), Chapter 4).

C. For noninterfund intragovernmental (within DoD) receivables, reimbursement will be via Defense Cash Accountability System (DCAS), IPAC, or for-self reimbursement (e.g., within Disbursing Station Symbol Number (DSSN) transfer of funds). The buyer cannot chargeback or reject the charge (other than IPAC) unless authorized by the dispute process as outlined in paragraph 030505A. The buyer generally should perform an IPAC reject within 30 days. Only valid reasons for reject/adjustment are:

1. Billing for more than the agreed amount.
2. Duplicate/erroneous billing.
3. Lack of supporting documentation.
4. MIPR has expired and/or appropriation has expired.

D. For intragovernmental (outside DoD) receivables, IPAC is the preferred method of billing/collection.

1. Include the use of IPAC as the preferred method of billing/collection on the MIPR acceptance.

2. Follow the intragovernmental (outside DoD) dispute process as outlined in paragraph 030505B if the IPAC transaction is rejected.

E. Rejected charges shall require the reestablishment of a receivable and adjustments to an appropriation's fund balance with the Treasury.

F. Accounting entries for reimbursable billings and collections, and accounts receivable corrections and adjustments can be found at the Treasury website <http://www.fms.treas.gov/ussgl/>.

030505. Noninterfund Dispute ProcessA. Intragovernmental Debt Within the DoD

1. The performer's ARO is responsible for managing intragovernmental debt. Intragovernmental debt cannot be reduced, i.e., an allowance for doubtful accounts is not allowed. Additionally, intragovernmental debt cannot be referred to a debt collection activity.

2. The full settlement of intragovernmental accounts receivable disputed charges shall take no longer than 180 days from the date of the charge.

3. For receivables of \$2,500 or less, the buyer shall accept the charge. These charges will not be disputed.

4. For receivables greater than \$2,500 that are disputed:

a. The buyer will work with the seller during the first 60 days from the date of the charge to resolve the dispute. The buyer or seller may request assistance from the accounting service provider. If the dispute cannot be resolved, the buyer, along with assistance from DFAS, will assemble a dispute package and send it to the seller. At a minimum, the dispute package should include copies of: MIPR or equivalent, MIPR acceptance or equivalent, voucher payment, bill, correspondence, shipment or delivery evidence, and a narrative explaining the basis of the dispute.

b. During 61-90 days from the date of the charge, the seller will review the buyer's dispute package and will provide a written response of concurrence or nonconcurrence.

(1) If the seller concurs, the seller will reverse the charge.

(2) If no response is received from the seller, the buyer may chargeback without recourse.

(3) If the seller nonconcurs, the buyer will elevate the dispute package to their Resource Manager/Comptroller.

c. During 91-120 days from the date of the charge, the buyer's Resource Manager/Comptroller will contact the seller's Resource Manager/Comptroller to resolve the dispute. If the dispute cannot be resolved, the buyer's Resource Manager/Comptroller will elevate the dispute package to their Service Secretary, Combatant Command Commander, or Defense Agency Director.

d. During 121-150 days from the date of the charge, the buyer's Service Secretary, Combatant Command Commander, or Defense Agency Director, will contact the seller's Service Secretary, Combatant Command Commander, or Defense Agency Director, to resolve the dispute. The dispute must be resolved within 180 days.

5. If the resolution to the dispute is that the buyer does not have to pay the bill, then the seller must make an adjustment to revenue (earnings) to liquidate the debt. The seller will decrease revenue and increase direct obligations and expenses. An abnormal balance will result in reversal of prior year funds when earnings are reversed.

B. Intragovernmental Debt Outside the DoD. Disputes between government agencies (e.g., between the DoD and the General Services Administration) will start when the IPAC transaction is rejected by the buyer. For disputed receivables of \$2500 or less, the seller must make an adjustment to revenue (earnings) to liquidate the debt. The seller will decrease revenue and increase direct obligations and expenses. For disputed receivables of more than \$2500, the following applies.

1. During the 1-60 days from the date of the reject, the seller is to work with the buyer to resolve the dispute. The seller or buyer may request DFAS assistance.

2. If there is no resolution, during 61-90 days from the date of the reject, the seller will assemble a dispute package and forward it to the seller's Resource Manager/Comptroller. The seller may request DFAS assistance. At a minimum, the dispute package will include: MIPR or equivalent, MIPR acceptance or equivalent, voucher payment, bill, correspondence, and shipment or delivery evidence.

3. If there is no resolution, during 91-120 days from the date of the reject, the seller's Resource Manager/Comptroller will contact the buyer's Agency Director to resolve the dispute. If there is no resolution, the seller's Resource Manager/Comptroller will elevate to their Service Secretary, Combatant Command Commander, or Defense Agency Director.

4. If there is no resolution, during 121-150 days from the date of the reject, the seller's Service Secretary, Combatant Command Commander, or Defense Agency Director will contact the buyer's Agency Comptroller to resolve the dispute. The seller's Service Secretary, Combatant Command Commander, or Defense Agency Director will provide a detailed explanation along with all supporting documentation of why they believe the bill is valid. The dispute will be resolved within 180 days.

C. NAFI Billing, Collection and Dispute Processes. DoD Instruction 1015.14 requires certain categories of NAFIs to reimburse appropriated funds (APF) for sales of goods and services to the NAFI.

1. Contractual Agreements. The applicable APF office will prepare a contractual agreement with the NAFI. This could be in the form of a memorandum of understanding, Inter-Service Support Agreement, etc. The agreement will be signed by the APF and NAFI authorized representative. At a minimum, this agreement must have:

a. Fixed price for goods and services or methodology for determining price, e.g., utilities, or both. The agreement can be for a specific sale or for a specified period of time.

b. Bill due date will be 30 days from date of the bill.

2. Due Process. If bill is not paid by due date, a demand letter will be sent to the NAFI. The NAFI has 30 days from the date of the demand letter to provide payment or provide reasons for non payment. The validity of the dispute will be determined by the APF representative. If dispute is valid, the APF representative will immediately resolve. If dispute is determined not to be valid, or there is no response, the APF representative will elevate demand for payment as follows:

a. Within 31-60 days after the due date, the Installation Comptroller will send the demand for payment with supporting documentation to the NAFI Headquarters Comptroller (NHC).

b. Within 61-90 days after the due date, the NHC will make payment or dispute the bill. The validity of the dispute will be determined by the Installation APF Comptroller. If dispute is determined not to be valid, or there is no response, the Installation APF Comptroller will elevate the demand for payment with supporting documentation to the Installation Major Command.

c. Within 91-120 days after the due date, the Installation Major Command will instruct that payment be made or dispute the bill. If the Installation Major Command cannot resolve the dispute, or there is no response, the Installation APF Comptroller will elevate the demand for payment with supporting documentation to the Service Comptroller.

d. Within 121-150 days after the due date, the Service Comptroller will instruct payment or resolve the dispute.

0306 REPORTING RECEIVABLES DUE FROM THE PUBLIC

The DoD Components are required to submit a quarterly TROR. Full instructions for completing the TROR are located within the Treasury's Financial Management Service website at <http://www.fms.treas.gov/debt/dmrpts.html>.

0307 REPORTING RECEIVABLES IN THE DEPARTMENT OF DEFENSE FINANCIAL STATEMENTS

030701. Accounts receivable are reported on the quarterly financial statements. Instructions for the reporting of receivables in the quarterly financial statements are contained in [Volume 6B](#), “Form and Content of the Department of Defense Audited Financial Statements,” of this regulation. Receivable amounts are depicted in the Balance Sheet and are disclosed in the Notes to the Financial Statements. Public accounts receivable balances reported on the annual financial statements must be reconciled with the Federal Agencies’ Centralized Trial-balance System accounts receivable from the public balances (attribute nonfederal).

030702. Accounts receivable balances due from the public reported on the quarterly financial statements also will be reconciled with receivables reported on TROR.

030703. The consolidated quarterly financial statements eliminate intragovernmental accounts receivable balances in accordance with Volume 6B of this regulation.

AGED ACCOUNTS RECEIVABLE GROUPS		
CATEGORY	INTRAGOVERNMENTAL	NONFEDERAL
Nondelinquent		
Current		
Noncurrent		
Delinquent		
1 to 30 days		
31 to 60 days		
61 to 90 days		
91 to 180 days		
181 days to 1 year		
Greater than 1 year and less than or equal to 2 years		
Greater than 2 years and less than or equal to 6 years		
Greater than 6 years and less than or equal to 10 years		
Greater than 10 years		
Subtotal		
Less Supported Undistributed Collections		
Less Eliminations		
Less Other		
Total		
<p>Note: The total of the columns should equal the gross amounts reported in the Accounts Receivable schedule in Note 5. This will require that the receivables due internally within each Component and supported undistributed collections be eliminated from this schedule. Infrequently, other items may need to be deducted from the subtotal. These items require disclosure in the note narrative.</p>		

Figure 3-1