

SUMMARY OF MAJOR CHANGES TO DOD 7000.14-R, VOLUME 4, CHAPTER 3 “RECEIVABLES”		
Substantive revisions are denoted by a ★ preceding the section or paragraph with the substantive change or revision.		
PARA	EXPLANATION OF CHANGE/REVISION	PURPOSE
030302B	This paragraph was mistakenly referenced eight times in the chapter. For the misidentified paragraphs in the chapter regarding "abnormal balances," the referenced paragraph should have been paragraph 030402.D.	Correction
030402	Other paragraphs that should have been referenced are in paragraph 030402.	Correction

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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 eventual write-off and close-out of public receivables and the recording and adjusting/correcting of intragovernmental receivables. Annexes to this chapter address procedures for the routine aging of all amounts overdue, formulation of the “Report on Receivables Due from the Public” (“Receivables Report,”) and general ledger entries for the recording and close-out of reimbursable receivables.

030102. Receivables shall be recorded when recognized or earned, and collected when due. The Statement of Federal Financial Accounting Standards (SFFAS) No. 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 No. 1 requires that receivables from federal entities, i.e., 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.

1302 DEFINITIONS

030201. Accounts Receivable. Receivables arise from claims to cash or other assets against another entity. Receivables include, but are not limited to, monies due for indebtedness. Examples of indebtedness to the DoD include overdue travel advances, 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. The accounts receivable office (as used in this chapter) is the office responsible for debt collection actions and for the recording and reporting of receivables. In most, but not all, cases, the accounts receivable office is located in a Defense Finance and Accounting Service (DFAS) accounting, entitlement, or debt management office. Once a debt is transferred to Treasury for collection, the accounts receivable office is the Treasury.

030203. Close-out. Close-out occurs when an agency, after determining that additional future collection efforts on a debt would be futile, reports the amount of the debt to the Internal Revenue Service as potential income to the debtor on Form 1099-C, “Cancellation of Debt.” Close-out may occur concurrently with the write-off of an account, or at a later date, depending on the collection strategy and the ultimate determination that the debt has been discharged. No additional collection action may be taken after close-out.

030204. Collection Actions. Collection actions include issuance of demand letters and referral to debt collection entities (i.e., the Defense Finance and Accounting Service, Denver (DFAS-DE) for individual out-of-service debt, the Defense Finance and Accounting Service, Columbus (DFAS-CO) for vendor debt, or the Department of the Treasury.)

030205. Current Receivables. Current accounts receivable are receivables that will become due during the next 12 months following the end of the reporting period.

030206. 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 payment agreement) unless other satisfactory payment arrangements have been made. Receivables which are recorded as delinquent are aged from the payment due date or the day notification of debt was mailed, depending on the agreement or instrument. If a payment “grace” period is provided and expires without payment, then the receivable becomes delinquent from the original payment due date or date of notification. When a repayment agreement allows the activity to declare the full amount of the account due, and the activity has done so, then the entire amount of the account or loan and related interest and penalties, if any, are reported as delinquent.

030207. Entity Receivables. As defined by the Statement of Federal Financial Accounting Standards Number 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.

030208. Intragovernmental Receivables. Intragovernmental receivables are claims of a federal entity against other federal entities.

030209. Noncurrent Receivables. Noncurrent accounts receivable are receivables that will not become due within 12 months following the end of the reporting period.

030210. Nondelinquent Receivables. Nondelinquent accounts receivable are receivables outstanding for 30 days or less or those not yet due under the contract or billing document pertaining to the receivable.

030211. Nonentity Receivables. As defined by the Statement of Federal Financial Accounting Standards Number 1, nonentity receivables are amounts that the DoD collects on behalf of the U.S. government or other entities, and the DoD is not authorized to spend. 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., income tax receipts, customs duties, court fines, certain license fees, etc. DoD accounts receivable in canceled accounts are also nonentity receivables, because collections received after an appropriation cancels are deposited in the Department of the Treasury’s Account 3200, “Collections of Receivables from Canceled Accounts.”

030212. Nonfederal Receivables. Nonfederal receivables are claims of the DoD or an entity within the federal government against nonfederal entities. The term “nonfederal entities” encompasses public entities, domestic and foreign persons and organizations outside the U.S. Government. Nonfederal receivables are also called public receivables.

030213. Reimbursements. Reimbursements are amounts earned and collected for material sold or services furnished.

030214. Rescheduled Receivables. Rescheduled receivables are receivables and advances that have been subject to rescheduling, forbearance, deferment, reamortization, or any other form of extending the future of the original payment(s) or payment due dates.

030215. Revenue. Revenue comes from two sources: exchange transactions and nonexchange transactions. Exchange revenues arise when a DoD entity provides goods and services to the public or to another United States (U.S.) Government entity for a price. Another term for exchange revenue is earned revenue. Nonexchange revenues arise primarily from exercise of the U.S. Government’s power to demand payments from the public, such as taxes, duties, fines, and penalties.

030216. Write-off. Write-off occurs when an agency official determines, after using all appropriate collection tools, that it is more than 50 percent likely that a debt is uncollectible. Active collection efforts on the account cease and the account is removed from the receivables. Writing off a debt does not preclude the Department from taking advantage of offset possibilities or other means of collection, should they become available. Accounts may be written-off and maintained as inactive debt (“currently not collectible.”)

★0303 RECEIVABLES POLICY AND PROCEDURES

030301. General. Receivables shall be recorded in the accounting month earned from the sale of goods and services, or in which a debt 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. An advance payment usually is required for the sale of goods and services. If an advance is not received, a receivable shall be recorded upon the sale of goods or performance of work.

030303. When cash is not received at the time revenue is recognized, a receivable shall be established.

030304. Offices that establish debt to the DoD shall ensure that the appropriate accounting office is advised that a receivable is to be established in the applicable accounting system. Feeder systems (such as pay, cost, debt, and entitlement systems) shall provide debt transactions, collection transactions and notice of discontinuance of collection efforts to the applicable accounting office in the accounting month the debt was incurred, collected or terminated.

030305. Receivables shall be promptly aged and collected.

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

B. No allowance for uncollectible accounts shall be recorded for intragovernmental receivables.

030306. Material sold or services furnished shall be authorized and documented in a support agreement between the provider and ordering entity. The cost of the material or services is first borne by the activity providing the material or performing the services (performer). The activity receiving the material or services (ordering entity or customer) reimburses the performing activity. Uncollected amounts earned from reimbursable sales are recorded as accounts receivable.

030307. Prompt 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.

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. 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 provisions in 31 U.S.C. 3717, Interest and Penalty Claims. No interest should be recognized for accounts receivable on investments that are determined to be uncollectible unless the interest is actually collected. However, until the interest payment requirement is officially waived by the government entity or the related debt is written off, interest accrued on uncollectible accounts receivable shall be disclosed.

030310. General Ledger Accounting. Information on receivables shall be developed, maintained, and reported using the United States Government Standard General Ledger (USSGL) accounts depicted in Chapter 7, Volume 1 of this Regulation. The first four digits of the accounts receivable general ledger account shall conform to the USSGL chart of accounts.

030311. Internal Controls. The basic standards for internal controls prescribed in DoD Directive 5010.38, "Management Control (MC) 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; for example, disclose the debtor, the amount, the age, and the type of debt. Subsidiary records shall be reconciled to the control accounts on a monthly basis.

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

030312. Nonappropriated Fund Instrumentalities. Receivables from nonappropriated fund instrumentalities (NAFIs) shall be recorded as transactions with the public. They shall be included in the "Report on Receivables Due From the Public" ("Receivables Report"). With the exception of individual debt, NAFI delinquent debt shall not be transferred to DFAS-CO or to the Treasury for collection assistance.

030313. Foreign Military Sales. Receivables from the Foreign Military Sales (FMS) Trust Fund (appropriation 11X8242) shall be recorded as transactions with the public and they shall be included in the "Receivables Report." Other FMS receivables, for example, the Foreign Military Financing Program, Grants, and Funds Appropriated to the President (11*1082) shall be recorded and reported as intragovernmental transactions.

030314. Foreign Currency Receivables. Gains or losses resulting from foreign currency receivables shall be recorded in the "Other Gains or Losses" account for the period when settlement occurs. This requirement does not supersede the accounting requirement concerning gains or losses in foreign currency transactions as set forth in 31 United States Code (U.S.C.) 3342.

★0304 RESPONSIBILITIES

030401. Organizational Responsibilities. Several work sections may be responsible for the recording, managing, and reporting of reimbursable work and associated debt, and the recording and reporting of public and intragovernmental accounts receivable. Those work sections shall coordinate their activities to ensure that accounts receivable are recorded, aged, collected, written-off, or closed-out as required in this chapter.

030402. DoD Performing Entity Responsibilities. The performing entity shall ensure that the obligations and accrued expenditures incurred are promptly billed and collected from the ordering entity. The performing entity shall:

A. Review unearned and earned orders and determine that recorded orders are supported with an order or contract.

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

C. If a bill is disputed or rejected, review supporting files promptly. If the rejection is for valid cause (the receivable is unsupported, duplicate, or over-billed), initiate a correction or reversal of accounting entries. Record corrective action within the current accounting cycle.

D. 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.

E. 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.

F. Obtain the billing transaction history from the accounts receivable office. (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.

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

H. 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.

030403. DoD Ordering Activity Responsibilities.

A. The ordering activity shall review all bills 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. If a bill is not supported with a copy of the order or contract and evidence of performance, these documents shall be requested. If they are not received within 30 calendar days after they have been requested, any bill, other than one for transportation, shall be returned to the billing office with an explanation that the bill is being returned because requested documentation has not been provided. Transportation bills that cannot be matched to an accounts payable transaction, however, shall be charged against an alternate line of accounting. Bills charged 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 the accounting database, record the order or obligation immediately.

0305 DEBT COLLECTION POLICIES

The DoD policies for credit management and debt collection programs are delineated in various volumes of this Regulation, and receivables policy in this chapter does not intend to override such debt collection policy. The management of overdue accounts receivable by the DFAS-DE, DFAS-CO, Department of the Treasury or the Department of Justice are addressed in the following volumes:

030501. Policies and procedures for collection of debt from individuals are in Chapters 28 through 32, Volume 5 of this Regulation.

030502. Policies and procedures for loss of funds cases are in Chapter 6, Volume 5 of this Regulation.

030503. 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.

030504. Policies and procedures for collection of commercial or contractor debt are in Volume 10 of this Regulation. Additionally, the Federal Acquisition Regulation, 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.

030505. Policies for collection of debts from foreign countries are in Chapter 12, Volume 6 of this Regulation.

0306 ERRONEOUS, INVALID OR UNSUBSTANTIATED ACCOUNTS RECEIVABLE

030601. Receivables shall be reviewed for completeness, accuracy, and supportability on a triannual basis during each of the four month periods ending on January 31, May 31, and September 30 of each fiscal year. A receivable that is erroneous or unsupported shall no longer be classified as a receivable.

030602. If 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 should be reversed.

030603. If a billing agency 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 should be reversed

0307 CANCELED APPROPRIATIONS

Accounts receivable offices shall retain all outstanding receivables in the residual records even though an appropriation cancels. 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 Department of the Treasury's Account 3200, "Collections of Receivables from Canceled Accounts."

0308 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 or from refunds due to the DoD.

030801. Management of Receivables from the Sale of Goods and Services to the Public. Upon the sale of goods or services and establishment of amount due:

A. The responsible office shall submit the documentation of a public debt due to the accounts receivable office. The accounts receivable office shall notify the accounting office to record a receivable in the accounting system. (The accounts receivable office shall research abnormal balances resulting from such postings in accordance with paragraph 030402.D of this chapter.)

B. Upon receipt of a collection voucher, the accounts receivable office shall record the collection voucher in the accounting system and report the collection to the Department of the Treasury. (If an abnormal balance results consequent to recording the collection, the accounts receivable office shall research such abnormal balance in accordance with paragraph 030402.D of this chapter.)

C. The accounts receivable office shall submit delinquent accounts receivable for further collection action as required by debt collection policy referenced in section 0305 of this chapter.

D. The accounts receivable office shall report public receivables in accordance with Annex 2 of this chapter.

030802. 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. Entitlement offices, payroll offices, legal offices, acquisition offices, or any entity that determines that a refund is due to the DoD shall notify the accounts receivable office that an accounts receivable is to be recorded in the accounting system. Such notification shall be made in the same accounting cycle that the debt is recognized.

C. The accounts receivable office (or responsible office) shall:

1. Upon receipt of a collection voucher, ensure that the collection voucher is recorded in the accounting system and reported to the Department of the Treasury. (If an abnormal balance results consequent to recording the collection, research such abnormal balance in accordance with paragraph 030402.D of this chapter.)
2. Submit delinquent accounts receivable for further collection action as required by debt collection policy referenced in section 0305 of this chapter.

030803. 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. Individual out-of-service debt of \$225 or more shall be transferred to the DFAS-DE for servicing when the individual leaves service and all required accounts receivable billing and follow-up action has been completed in accordance with the debt collection policy referenced in section 0305 of this chapter.

C. Delinquent vendor debt of \$600 or more shall be submitted to the DFAS-CO for servicing no later than 90 days after the payment due date in accordance with the debt collection policy referenced in section 0305 of this chapter.

D. Subsection (g) of Section 3711 of title 31, United States Code requires that public receivables over 180 days old be transferred to the Department of the Treasury for further collection action.

E. Exceptions to the requirement to transfer debt to the Department of 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 determined by the Secretary of the Treasury, and; (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.

F. Debts due from the public that are \$100,000 or more must be referred to the Department of Justice for concurrence to terminate collection action.

030804. Establishment of Doubtful Accounts. The accounting office shall establish an allowance for doubtful debt, which shall provide for reducing gross receivables by the amount of the estimated loss to their net realizable value.

A. The SFFAS No. 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 uncollectible amounts shall be reestimated for each annual financial reporting period. Annex 1 of this chapter delineates the methodology for aging accounts receivable and establishing allowances for doubtful accounts. Section 0313 of this chapter provides references to guidance on the general ledger entries used to establish a doubtful allowance account.

030805. Write-off and Close-out of Public Accounts Receivable.

A. General provisions for the collection, write-off and close-out of public accounts receivable are established in Office of Management and Budget (OMB) Circular A-129, "Policies for Federal Credit Programs and Non-Tax Receivables."

1. Generally, write-off is mandatory for public delinquent debt that has not been collected within 2 years.

a. Once the debt is written-off, it must either be classified in a new reporting category entitled "currently not collectible" (CNC) or closed-out. Debts in CNC status are reported on the Receivables Report (depicted in Annex 2), and are eligible for both offset and cross-servicing.

b. Public debt shall be classified as CNC only if: (1) the vendor debt is over \$600 or the individual out-of-service debt is over \$225, (2) all debt collection actions referenced in section 0305 of this chapter have been pursued, (3) it is cost effective to continue collection efforts, and (4) the debt is less than 2 years old, unless exempted by paragraph 030204 of this chapter.

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

2. The Treasury Financial Management supplement entitled "Managing Federal Receivables" states that an agency shall consider a debt uncollectible, write-off the debt, and terminate active collection action when one or more of the following five criteria apply:

a. The debt is erroneous or otherwise without merit;

b. The debt cannot be substantiated;

c. The debtor has filed a petition for bankruptcy;

d. The costs of further collection action will probably exceed the amount that could be recovered;

e. The accounts receivable office is unable to locate the debtor and finds that either: (1) there is no security to be liquidated to recover the amount owed, or (2) the statute of limitations has expired and the chances of collecting the debt are minimal; and,

f. The accounts receivable office is unable to collect any substantial amount.

3. Close-out of accounts receivable shall be accomplished no later than 2 years after the payment due date, and shall be reported to the Internal Revenue Service in accordance with paragraph 030806 of this chapter.

B. Public vendor debt of \$600 or less and individual out-of-service debt less than \$225 shall be collected or closed-out. This debt shall not be referred for further collection action unless mandated by public law.

1. The accumulated research documentation shall support the requirement to close-out uncollectible public debt.

2. No later than 90 days after the established due date, the accounts receivable office shall forward to the accounting office all research documentation and demand letters sent to the customer. When received, the accounting office shall immediately provide the documentation to the fund holder for concurrence or nonconcurrence for close-out.

3. The fund holder shall respond within 60 days of request for close-out. If a response is not received within 60 days, then the debt shall be closed out.

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

5. If payment is not received after following procedures 1 through 4, above, the debt shall be closed out. The delinquent accounts receivable shall be obligated (if not already obligated) in the appropriation that created the receivable. The accounting office shall write-off delinquent accounts receivable no later than 180 days after the payment due date. No later than 2 years after the payment due date, or sooner if it is determined that further collection action will not be cost beneficial, the receivable shall be closed-out by issuing a Form 1099-C to the debtor and ceasing all further collection efforts.

C. Public debt over \$600 due from vendors for the sales of goods and services shall be referred to the DFAS-CO and individual out-of-service debt of \$225 or more shall be referred to the DFAS-DE for further collection actions. For vendor debt, refer the debt no later than 90 days after the payment due date. For individual out-of-service debt, refer the debt upon completion of all required local accounts receivable billing and follow-up action. The accounts receivable office (or responsible office) shall submit vendor debt to DFAS-CO and individual out-of-service debt to DFAS-DE, as required by debt collection policy referenced in section 0305.

1. The DFAS-CO and the DFAS-DE shall submit delinquent public debt to the Department of the Treasury no later than 180 days after the payment due date, unless exempted by statute or law.

2. The Department of the Treasury, after due process, shall return uncollected public receivables to the DFAS-CO or DFAS-DE, (after approximately 400 days).

3. The accounts receivable office shall provide the accounting office with notification to write-off the receivable and shall provide the history of all research and debt collection efforts. The accounting office shall write-off (or close-out) the delinquent accounts receivable and shall provide the performing fund holder with the history of all research and debt collection efforts (to include DFAS-CO or DFAS-DE and the Department of Treasury's research and efforts). Delinquent accounts receivable shall be obligated (if not already obligated) in the appropriation that created the receivable. The accounting office shall:

a. Write-off debt under 2 years old. General ledger transactions for write-off of public debt are delineated in the Treasury Financial Manual referenced in paragraph 031301 of this chapter.

b. Close-out delinquent accounts receivable no later than 2 years after the payment due date.

4. Public debt \$100,000 or greater that is not collected by the Department of the Treasury shall be submitted to the Department of the Justice by the DFAS-CO and the DFAS-DE. The DFAS-CO and the DFAS-DE also shall notify the accounting offices that the debts were submitted to the Department of Justice for review.

030806. Reporting Close-out of Vendor and Individual Debt to the Internal Revenue Service (IRS). When a debt meeting the criteria listed below is closed-out, the accounting office must file a Form 1099C with the IRS and notify the debtor in accordance with the Internal Revenue Code 26 United States Code Section 6050P and IRS regulations 26 Code of Federal Regulations Part 1.6050O-P. The 1099C reports the uncollectible debt as income to the debtor which may be taxable at the debtor's current tax rate. Reporting the discharge of indebtedness to the IRS results in a potential benefit to the Federal Government, because any payments made to the IRS augment government receipts. Discharged debt meeting the following criteria should be reported to the IRS.

A. The amount of the defaulted obligation not in dispute accrues to a total of \$600 or more for a calendar year.

B. The obligation is not discharged in a Title II bankruptcy case.

C. The applicable federal statute for enforcing collection of the obligation expired during the tax year, or some form of formal compromise agreement is reached during the year in which the debtor is discharged legally of all or a portion of the obligation (in this case the portion discharged, less interest, is reportable).

0309 INTRAGOVERNMENTAL RECEIVABLES

030901. General. Receivables due from DoD Components or other federal entities are intragovernmental receivables, and should be reported separately from receivables due from public entities.

030902. Accounting for Reimbursable Work. The performer's accounts receivable office (or responsible office) 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 uncollected upon receiving documentation showing that goods or services were provided. The responsible technician shall submit a bill to the customer and record a receivable. If an abnormal balance results consequent to reversing the unfilled customer order, research the abnormal balance in accordance with paragraph 030402.D of this chapter.

C. Reverse the filled customer order uncollected and record a filled customer order collected upon receipt of a collection voucher. If an abnormal balance results consequent to reversing the filled customer order uncollected, research such abnormal balance in accordance with paragraph 030402.D of this chapter.

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

030903. Management of Collection Actions. Accounts receivable shall be aged. Aging allows for the management of collection actions.

A. Billings 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. If systems permit, bills arising from transactions within the DoD or other federal departments or agencies shall be collected through automated or regularly established self-collection methods, such as the Military Standard Billing System (MILBILLS) interfund billing procedures, Treasury's Intragovernmental Payment and Collecting (IPAC) system, and intragovernmental charge card methods. When automated collection procedures cannot be used, the Voucher for Transfer Between Appropriations and/or Funds (Standard Form (SF) 1080) will be used as the collection document. Remittance by check from federal agencies shall be used as a last resort, and shall not be allowed between DoD Components.

C. Accounting entries for reimbursable billings and collections, and accounts receivable corrections and adjustments are depicted in Annex 3 of this chapter.

030904. Recording Collections.

A. SF 1080 bills, automated or manual, shall credit individual receivables as paid and shall increase the appropriation fund balance with Treasury. The SF 1080 document shall be dated for reporting in the Treasury's Statement of Transactions in the same month the collection was recorded in the accounting system.

B. Rejected SF 1080 bills shall require the reestablishment of a receivable and adjustments to an appropriation's fund balance with Treasury.

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

030905. Adjusting and Correcting Billings.

A. Billing and collection processes shall provide a means for adjusting and correcting billings; these means include acceptance of a bill, adjustment of a bill, and rejection of a bill. The accounts receivable office (or responsible office) shall research such requests for adjustments or rejects in accordance with paragraph 030402.D, and:

1. If all or part of the billing is determined to be incorrect, process a credit within the accounting cycle the error was discovered.

2. If the bill is rejected, review the basis for rejection. Such review and subsequent correction shall be completed within the accounting cycle the error was discovered.

a. If there is evidence of an incorrect billing, process a credit to clear the suspense or difference within the current accounting cycle, and if proper, the receivable shall be reestablished for a correct or revised amount.

b. If the billing is considered to have been properly made, the receivable is reestablished, and the ordering entity shall be contacted and requested to accept the billing based on evidence provided.

c. If a receivable is reestablished or adjusted, the customer shall be informed.

B. The accounts receivable office shall inform its customer agency of the circumstances of any delinquent accounts receivable.

030906. Disputed Billings. The ordering entity (customer) shall inform the performer's accounts receivable office (billing office) of its intent to dispute a bill. The intent to dispute shall be established within 30 days of receipt of a bill.

A. The ordering entity shall request a bill's supporting documentation before rejecting the bill.

B. A bill shall be rejected if the requested supporting documentation is not provided within 30 days, or when the ordering entity obtains proof of incorrect billing. The ordering entity shall provide the performer's accounts receivable office a clear explanation for the reject.

030907. Adjusting and Correcting Accounts Receivable

A. Intragovernmental Debt Within the DoD:

1. The performer's accounts receivable office and the performer's accounting office are responsible for managing intragovernmental debt. Intragovernmental debt cannot be reduced, i.e., an allowance for doubtful debt is not allowed. Additionally, intragovernmental debt cannot be transferred to a debt collection activity.

2. The full settlement of intragovernmental accounts receivable shall take no longer than 2 years. Accounts receivable shall be adjusted or corrected only after research has been accomplished, as required in paragraph 030402.D of this chapter.

a. For disputed bills, the ordering entity shall provide the performer's accounts receivable office with a letter showing cause for nonpayment no later than 30 days after the payment due date; the only valid causes for disputed billings shall be lack of supporting documentation or authority to bill, nonreceipt of goods or services, or duplicate billing.

b. If requested, the performer's accounts receivable office shall provide the ordering entity the bill's supporting documentation.

(1) If the ordering entity does not provide a letter showing the cause for nonpayment within 90 days of payment due date, the performer's accounting office shall charge the ordering entity and the ordering entity shall accept the charge.

(2) If the ordering entity provides a letter showing valid cause for nonpayment, the performer's accounting office shall adjust/correct the receivable by reversing the receivable entries.

(3) For receivables of \$2,500 or less, if the ordering entity provides a letter, but the causes for nonpayment are invalid, the performer's accounting office shall charge the ordering entity and the ordering entity shall accept the charge.

(4) For receivables of more than \$2,500, if the ordering entity provides a letter, but the causes for nonpayment are invalid, the performer's accounting office shall work with the performer's accounts receivable office and shall provide the ordering entity's Component Comptroller (i.e., the Military Department Assistant Secretary (Financial Management and Comptroller), the Defense Agency Comptroller, or the DoD Field Activity Comptroller, as applicable) or designee with a history of all the research, debt collection efforts, and the ordering entity's letter showing cause for nonpayment. The accounting office shall seek concurrence to collect the receivable. Such concurrence to collect shall be sought within 30 days of receipt of the ordering entity letter. The ordering entity's Component Comptroller shall review the request to collect and shall concur or nonconcur within 60 days of request:

(a) If no response is received within 60 days, the performer's accounting office shall charge the ordering entity and the ordering entity shall accept the charge.

(b) Concurrences shall authorize the performer's accounting office to charge the ordering entity and the ordering entity shall accept the charge.

(c) If nonconcurring, the ordering entity's Component Comptroller shall provide the accounting office written cause for nonpayment.

(5) If the ordering entity's Component Comptroller nonconcurs, the accounting office shall provide the ordering entity's Component Comptroller's nonconcurrence to the performer's Component Comptroller and shall request concurrence to adjust/correct the accounts receivable.

(a) If no response is received within 60 days, the performer's accounting office shall adjust/correct the accounts receivable.

(b) Concurrences shall authorize the accounting office to adjust/correct the receivable.

(c) If the performer's Component Comptroller nonconcurs, the accounting office shall provide, within 30 days, the ordering entity's and performer's Component Comptrollers' nonconcurrences to the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) for review. (When Component Comptrollers report to Joint Commands, the Joint Command's Comptroller shall be advised of nonconcurrences prior to advising the OUSD(C) and paragraph (a), above, applies.)

(6) The OUSD(C) shall review the bill's supporting documentation, history of research, and letters provided to the accounting office. The OUSD(C) shall provide a final ruling no later than 2 years after the payment due date. The OUSD(C) ruling shall either provide the accounting office authority to charge the ordering entity or authority to adjust/correct the receivable.

B. Intragovernmental Debt Outside the DoD. Disputes between governmental agencies, for example, between the DoD and the General Services Administration, shall be forwarded to the performer's Component Comptroller or designee for review. The accounts receivable office shall forward disputed accounts receivable to the performer's Component Comptroller only after due research and due collection actions have been performed, as required by sections 0305 and paragraph 030402.D of this chapter. For disputed delinquent accounts receivable:

1. No later than 90 days after the payment due date, the performer's accounts receivable office shall forward the bill to the performer's Component Comptroller or designee for review.

2. No later than 180 days after the payment due date, the performer's Component Comptroller shall provide the accounts receivable office its concurrence or nonconcurrence to adjust/correct the receivable.

a. If nonconcurring, the performer's Component Comptroller shall forward the bill, with supporting documentation and research, to the billed agency with a request for payment.

b. If the billed agency does not submit payment within 1-year of the payment due date, the performer's Component Comptroller shall forward the bill to the OUSD(C) for resolution. (When Component Comptrollers report to a Joint Command, the Joint Command's Comptroller shall be advised of nonpayment prior to advising the OUSD(C); the Joint Command's Comptroller shall provide concurrence or nonconcurrence within 60 days.)

3. The OUSD(C) shall evaluate the supportability of the bill within 180 days. If supportable, the OUSD(C) shall request payment from the other federal agency. If unsupported, the OUSD(C) shall advise the performer's Component Comptroller to adjust/correct the accounts receivable balance.

4. If the other federal agency does not respond to the OUSD(C) request for payment, the accounting office shall adjust/correct the delinquent accounts receivable no later than 2 years after the receivable's established due date.

0310 REPORTING INTRAGOVERNMENTAL RECEIVABLES

Accounting offices shall at least quarterly report to their accounting centers the status of all delinquent intragovernmental accounts receivable, with information depicting age and collection activity. This report shall separately identify intragovernmental receivables: (1) due within DoD and (2) due from other federal entities.

0311 REPORTING RECEIVABLES DUE FROM THE PUBLIC

The DoD Components are required to submit a “Report on Receivables Due From the Public” (“Receivables Report”). The Receivables Report is discussed in depth at Annex 2 of this chapter.

0312 REPORTING RECEIVABLES IN THE DEPARTMENT OF DEFENSE AUDITED FINANCIAL STATEMENTS

Accounts receivable are reported on the annual audited financial statements. Instructions for the reporting of receivables in the annual audited 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 Note 5 of the Notes to the Financial Statements.

031201. Volume 6B, Appendix B, of this Regulation requires that public accounts receivable balances reported on the annual audited financial statements be reconciled with the Federal Agencies’ Centralized Trial-balance System (FACTS I) accounts receivable from the public balances (attribute nonfederal).

031202. Accounts receivable balances due from the public reported on the annual audited financial statements also shall be reconciled with receivables reported on the “Report of Receivables Due From the Public.”

031203. The consolidated annual audited financial statements eliminate intragovernmental accounts receivable balances. In order to properly eliminate intragovernmental accounts receivable balances, receivable transactions shall identify the detail level order number which initiated the work performed and earned (this also will identify the trading partner). Thus, accounts receivable balances shall be eliminated against the trading partner’s detail level accounts payable balances. With detail level identification of order numbers on each receivable transaction, elimination of intragovernmental accounts receivable against applicable accounts payable can be accomplished accurately and efficiently.

0313 THE USSGL PRO FORMA ENTRIES FOR RECEIVABLE TRANSACTIONS

031301. General. This section references accounting transactions for collections and receivables that are illustrated in the Treasury Financial Manual (TFM), Transmittal Letter No. S2-00-01, USSGL, Section III. The referenced accounting transactions pertain to accounting

events occurring throughout the federal government. The referenced accounting transactions illustrate both proprietary and budgetary entries for each accounting event. USSGL accounting transactions for collections and receivables are at: www.fms.treas.gov/ussgl/ and are identified in Section III with transaction codes C 100 through 400, as follows:

- A. Transaction codes C 100s are for receipts,
- B. Transaction codes C 200s are for receivables and accrued revenue,
- C. Transaction codes C 300s are for asset sales and disposition (gains and losses), and,
- D. Transaction codes C 400s are for asset transfers-in.

E. The following are examples of accounting transactions illustrated in the TFM which affect accounts receivable:

1. To record in the performing agency an advance received after a reimbursable agreement was established (C 184).
2. To record the collection of receivables in the performing agency for reimbursable services (C 186).
3. To record accrued revenue from Federal sources other than for reimbursable, nonrevolving trust and special funds, custodial activity and interest on Treasury securities (C 214).
4. To record refunds receivable for assets or expenses that do not create budgetary resources until collected (C 212).
5. To record an allowance for a reduction in revenue from non-Federal sources when realization is not probable (less likely than not) (D 202).
6. To record the estimated allowance for bad debts related to noncash-reform receivables (D 204).
7. To record the write-off of penalties, fines and administrative fees receivable (D 205).
8. To record the write-off of accounts receivable (D 206).

031302. Reimbursable Program. Example accounting transactions for a reimbursable program are illustrated in the TFM as referenced in 031301, above, and in Annex 3 of this chapter.

031303. USSGL Receivable Accounts

A. Accounts Receivable (Account Number 1310). The amount due from others when the right to receive funds accrues. This may result from the performance of services, the delivery of goods, refunds due, or court ordered assessment. Sources of entry include billing documents, interfund billings, job cost reports, receiving reports, payroll records, cash collection vouchers, and collection and disbursing documents. The normal balance for this entry is a debit.

B. Allowances for Loss on Accounts Receivable (Account Number 1319). The estimated amount of uncollectible accounts receivable. This account is increased by the amount estimated to be uncollectible each accounting period and is decreased by the actual amount subsequently written off. This account shall consider outstanding advances. Sources of entry include an analysis of accounts representing extensions of credit to estimate the uncollectible portion. The normal balance for this entry is a credit. Paragraph A, Annex 1 of this chapter provides guidance on the development of an allowance account.

C. Interest Receivable (Account Number 1340). The accrued interest charges on accounts and loans receivable. This also includes interest accrued on investment securities. The normal balance for this account is a debit. Paragraph C, Annex 1 of this chapter provides guidance on the accrual of interest.

D. Allowances for Loss on Interest Receivable (Account Number 1349). The estimated amounts of uncollectible interest receivable. This account is increased by the amount estimated to be uncollectible each accounting period and is decreased by the actual amount subsequently written off. Sources of entry include an analysis of accounts representing extensions of credit to estimate the uncollectible portion. The normal balance for this entry is a credit. Paragraph C, Annex 1 of this chapter provides guidance on the accrual of interest.

E. Loans Receivable (Account Number 1350). The amounts loaned to another federal account or fund, individuals, private sector organizations, state and local governments, or foreign governments. Sources of entry include loan instruments and cash collection vouchers. The normal balance for this entry is a debit.

F. Allowances for Loss on Loans Receivable (Account Number 1359). The estimated amount of uncollectible loans receivable. This amount is increased by the amount estimated to be uncollectible each accounting period and is decreased by the actual accounts subsequently written off. Sources of entry include an analysis of accounts representing extensions of credit to estimate the uncollectible portion. The normal balance for this entry is a credit.

G. Penalties, Fines and Administrative Fees Receivable (Account Number 1360). The amount of penalties, fines and administrative fees on accounts and loans receivable due to the delinquency of a debt. The normal balance for this entry is a debit. Paragraph C, Annex 1 of this chapter provides guidance on the accrual of penalties, fines and administrative fees.

H. Allowances for Loss on Penalties, Fines and Administrative Fees Receivable (Account Number 1369). The estimated amount of uncollectible penalties, fines and administrative fees receivable. This amount is increased by the amount estimated to be uncollectible each accounting period and is decreased by the actual amount subsequently written off. Sources of entry include an analysis of this account to estimate the uncollectible portion. The normal balance for this entry is a credit. Paragraph C, Annex 1 of this chapter provides guidance on the development of an allowance account for losses on penalties, fines and administrative fees.

0314 REVIEW REQUIREMENTS

031401. Receivables shall be reviewed for supportability and validity. Such reviews shall be conducted in accordance with section 0804, “Triannual Reviews of Commitments and Obligations,” Chapter 8, Volume 3 of this Regulation. If a receivable is found to be unsupported, i.e., not valid (as described in section 0306 of this chapter), such receivable shall be removed from the accounting records within 10 workdays of its identification as erroneous, invalid, or unsupported.

031402. Receivables that are more than 2 years old shall be collected, written-off, or closed-out in accordance with sections 0305, 0308 and 0309 of this chapter within the time frames specified in section 0804, “Triannual Reviews of Commitments and Obligations,” Chapter 8, Volume 3 of this Regulation.

031403. Receivables determined to be supportable and valid that are less than two years old shall be collected, written-off, or closed-out upon completion of due research and debt collection procedures in accordance with sections 0305, 0308, and 0309 of this chapter within the time frames specified in section 0804, “Triannual Reviews of Commitments and Obligations,” Chapter 8, Volume 3 of this Regulation.

031404. Exempt from paragraphs 031402 and 031403, above, are public receivables under review by the Department of the Justice, and debt in the process of being collected as required by the Federal Acquisition Regulation, Part 32.6, “Contract Debt” and debt collection policy referenced in section 0305 of this chapter. However, such exempt debt shall be aggressively managed and monitored for status of collection by the responsible accounting office.