

**SUMMARY OF MAJOR CHANGES TO
DoD 7000.14-R, VOLUME 6A, CHAPTER 12
“COLLECTING AND REPORTING OF FOREIGN
GOVERNMENT ACCOUNTS RECEIVABLE”**

All changes are denoted by blue font

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

Hyperlinks are denoted by *underlined, bold, italic, blue font*

PARA	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Reworded and reformatted chapter for clarity and ease of reading. Revised references, eliminated duplicate references, and added references. Added electronic links.	Update
120102	Added that this chapter does not apply to foreign individual or foreign vendor debt.	Add
120104	Added definitions for accounts receivable office, DoD Component, foreign government accounts receivable, and Foreign Government Debt Management Office.	Add
120105	Added guidance on internal controls.	Add
120201	Deleted paragraph 120201. This guidance is covered in paragraph 120203.	Delete
120203	Added responsibilities for DoD Components.	Add
1203	Added guidance on accounting for receivables.	Add
120305, 120306, 120308, 120309, and 120311	Deleted guidance for submission of TFS Forms 4502, 4502B, 4504, 4505, 4505A, and 4506. See Annex 1 of this chapter for reporting requirements.	Delete
120401	Added 60-day grace period for foreign government bills that are non-foreign military sales.	Add
1205	Added guidance on compromise, suspension, and termination of accounts receivable.	Add
1207	Added guidance on write-off and close-out of accounts receivable.	Add
Table 12-1	Deleted guidance on program codes. This information is in the Treasury Financial Manual, Volume 1, Part 2, Chapter 4500, Appendix 3.	Delete
Table 12-2	Deleted sample follow-up letter. In paragraph 120403.A, reader is referred to 31 C.F.R. 901.2 for information that must be included in a follow-up letter.	Delete

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Table 12-3	Deleted table on analyzing the status of country deposits. Information found in Volume 15, Chapter 5 of this Regulation.	Delete
Tables 12-4, 12-5, 12-6, and 12-7	Deleted guidance on punched cards and sample TFS Forms 4502, 4502B, and 4503. Punched cards and these forms are no longer used. See Annex 1 of this chapter for reporting requirements.	Delete
Table 12-8	Deleted. This information is in the Treasury Financial Manual, Volume 1, Part 2, Chapter 4500, Appendix 3.	Delete
Annex 1	Added.	Add

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CHAPTER 12

**★ COLLECTING AND REPORTING OF FOREIGN
GOVERNMENT ACCOUNTS RECEIVABLE**1201 OVERVIEW

120101. Purpose. This chapter establishes guidance for the Department of Defense (DoD) Components regarding collecting, billing, and reporting of foreign government accounts receivable (debt). Such debt may arise through the following:

- A. Sale of Defense articles and services pursuant to the *Arms Export Control Act*, as amended.
- B. Operation of military missions.
- C. Logistical support provided under country-to-country agreements.
- D. Other programs listed in the *Treasury Financial Manual (TFM), Volume I, Part 2, Chapter 4500, Appendix 3.*

★ 120102. Applicability. The provisions of this chapter apply to all DoD Components. This chapter does not apply to debt from foreign individuals or foreign vendors. See *Volume 5, Chapters 28-32* and *Volume 10, Chapter 18* of this Regulation for guidance on individual and vendor debt.

120103. DoD Policy for Collections. It is the policy of DoD that timely and aggressive collection efforts will be conducted, with follow-up actions as necessary, to ensure that foreign government accounts receivable are collected. Foreign government accounts receivable will be uniformly and accurately reported to the Department of the Treasury and Department of Commerce.

★ 120104. Definitions

A. Accounts Receivable Office (ARO). The office responsible for recording and reporting accounts receivable 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.

B. DoD Component. Refers collectively to all organizational entities within DoD. This includes, but is not limited to, the Military Departments, Defense Agencies, and field offices.

C. Foreign Government Accounts Receivable. Includes both foreign military sales (FMS) and non-FMS accounts receivable.

D. Foreign Government Debt Management Office (FGDMO). The FGDMO is the DFAS office that services foreign government accounts receivable. The FGDMO may also perform billing and collecting functions when not performed by the ARO.

★ 120105. Internal Controls. DoD Components will establish and maintain internal controls to ensure foreign government receivables are recorded and maintained in accordance with this chapter and other applicable regulatory and statutory requirements.

1202 RESPONSIBILITIES

120201. The Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) is the DoD point of contact for matters concerning foreign government accounts receivable requirements imposed on DoD from outside sources, such as the Congress and the Department of the Treasury.

120202. The FGDMO (unless function is performed by the ARO) is responsible for the following:

A. Billing, collecting, and performing follow-up actions on foreign government accounts receivable, excluding fuel.

B. Crediting collections for accounts receivable to the line of accounting provided by the ARO.

C. Preparing, consolidating, and submitting the accounts receivable reports to the appropriate offices (e.g., Department of the Treasury, Department of Commerce, or Defense Security Cooperation Agency (DSCA)).

★ 120203. The DoD Components, in conjunction with their supporting ARO, are responsible for the following:

A. Recording the accounts receivable for all foreign government debt in the accounting records.

B. Performing billing and collecting actions for foreign government accounts receivable unless handled by the FGDMO.

C. Forwarding to the FGDMO documentation necessary to perform follow-up actions for foreign government accounts receivable.

D. Reporting the debt on the quarterly financial statements and the Treasury Report on Receivables (TROR).

E. Coordinating and/or approving recommendations to compromise, suspend, or terminate collection actions on foreign government accounts receivable.

★1203 ACCOUNTING FOR RECEIVABLES

120301. General. See Volume 4, Chapter 3 of this Regulation for guidance on accounting for accounts receivable. Each foreign government receivable will be maintained on the books of the DoD Component which established the accounts receivable until collected or written off and closed out.

120302. Collections. Offices receiving collections for foreign government accounts receivable will, within 30 days of receipt, notify the supporting accounting office and/or ARO to ensure accounting records are updated.

120303. Reporting Aged Accounts Receivable. See Annex 1 of this chapter and Volume 4, Chapter 3 of this Regulation. Non-FMS foreign government accounts receivable become delinquent on the 91st day following date the bill is mailed.

1204 COLLECTION AND FOLLOW-UP

★ 120401. Due Date. All non-FMS foreign government accounts receivable will be due 30 days from the date the bill is mailed unless otherwise stated in an agreement between the United States and the foreign government. The billing process will include a 60-day grace period. The accounts receivable becomes delinquent on the 91st day if unpaid. See Volume 15, Chapter 8 of this Regulation for guidance on due dates for FMS billings.

120402. Initial Billings

A. Initial billings for non-FMS foreign government accounts receivable will be initiated by the ARO or FGDMO.

B. See Volume 15, Chapter 8 of this Regulation for guidance on FMS billings.

120403. Follow-up Actions for Delinquent Accounts Receivable

A. Non-FMS Foreign Government Accounts Receivable. The ARO or FGDMO will perform follow-up actions on foreign government accounts receivable if payment is not received by the end of the grace period. The initial written follow-up action will be taken 30 days from the end of the grace period. If no response is received, then additional written follow-up action will be made 60, 90, and 120 days from the end of the grace period. The ARO or FGDMO will maintain a copy of all follow-up actions and will provide copies to the DoD Component or DSCA as appropriate. If the initial billing did not include the information required by Title 31, Code of Federal Regulations, Part 901.2 (31 C.F.R. 901.2), then include this information in the follow-up letter.

B. FMS Accounts Receivable. Cash in advance of performance is required for FMS customers unless a written determination is made pursuant to legal authority. Therefore, in the FMS program, a delinquent accounts receivable is an unusual event. If there is

a delinquent FMS accounts receivable, then issue the follow-up letters required in paragraph 120403.A at 30, 60, 90, and 120 days from payment due date. See Volume 15, Chapter 5 of this Regulation for additional guidance on delinquent FMS accounts receivable.

★1205 COMPROMISE, SUSPENSION, OR TERMINATION OF COLLECTION ACTIONS

120501. Authority. The Federal Claims Collection Standards (FCCS) 31 C.F.R. 900-904 provides authority to the DoD to compromise, suspend, or terminate collection action on transactions of \$100,000 or less. This authority has been delegated to DFAS for receivables arising out of the activities of, or referred to, DFAS. Volume 15, Chapter 5 of this Regulation contains additional guidance on compromising, suspending, or terminating collection action on FMS accounts receivable.

120502. Coordination

A. \$100,000 or Less. The FGDMO will provide proposals to compromise, suspend, or terminate collection actions on accounts receivable of \$100,000 or less to the applicable DoD Component for coordination. Requests involving FMS will be submitted to DSCA for coordination prior to coordination with the DoD Component.

B. Over \$100,000. The FGDMO will provide proposals to compromise, suspend, or terminate collection actions on accounts receivable over \$100,000 to the applicable DoD Component and DSCA (FMS only) for coordination prior to forwarding to the Department of the Treasury or Department of Justice (DOJ) for approval. See paragraphs 120503, 120504, and 120505 for guidance on forwarding proposals to Department of the Treasury and DOJ.

120503. Compromise. Compromise is the acceptance of less than the full amount of the debt in full satisfaction of the entire amount of the debt. DFAS has the authority to compromise debts where the principal amount does not exceed \$100,000. DoD Components have authority to approve compromises for debts not referred to DFAS when the principal amount does not exceed \$100,000. The Department of the Treasury has authority to compromise debts greater than \$100,000 and less than or equal to \$500,000. DOJ has authority to compromise debts exceeding \$500,000. The dollar amount is computed on a contract or transaction basis (for FMS debts, the DD Form 1513 represents a transaction). See 31 C.F.R. 902 for specifics on when a compromise can be approved. If DFAS is uncertain whether or not to accept the compromise offer, and the offer is within the limits for which DFAS has authority, then they may refer the offer to DOJ.

120504. Suspension. DFAS has authority to suspend collection action on accounts receivable when the principal amount does not exceed \$100,000. DoD Components have authority to suspend collection action on accounts receivable not referred to DFAS when the principal amount does not exceed \$100,000. DOJ has authority to suspend collection action on accounts receivable exceeding \$100,000. The dollar amount is computed on a contract or transaction basis (for FMS debts, the DD Form 1513 represents a transaction). See 31 C.F.R. 903.2 for specific guidance on the suspension of collection action.

120505. Termination. DFAS has authority to terminate collection action on accounts receivable when the principal amount does not exceed \$100,000. DoD Components have authority to terminate collection action on accounts receivable not referred to DFAS when the principal amount does not exceed \$100,000. The Department of the Treasury has authority to terminate collection action on accounts receivable greater than \$100,000 and less than or equal to \$500,000. DOJ has authority to terminate collection action on accounts receivable exceeding \$500,000. The dollar amount is computed on a contract or transaction basis (for FMS dates, the DD Form 1513 represents a transaction). See 31 C.F.R. 903.3 for specific guidance on the termination of collection action.

120506. Supporting Documentation. The ARO and FGDMO will maintain supporting documentation (on a contract or transaction basis) for compromises, suspensions, and terminations. Supporting documentation will show adherence to the provisions of this chapter and provide for audit trail. Volume 4, Chapter 3 of this Regulation contains additional guidance on retention of documentation.

★1206 REFERRAL OF DELINQUENT ACCOUNTS RECEIVABLE

If collection actions are not successful and the foreign government accounts receivable is not compromised, suspended, or terminated, then the FGDMO/ARO in conjunction with the DoD Component may seek assistance from the State Department prior to write-off and close-out. The FGDMO/ARO will prepare the request and forward it to the applicable DoD Component for coordination. Include in the request all applicable supporting documents that established the receivable and evidence of actions taken to collect the receivable. Forward the request through OUSD(C) to the State Department. Submit the request to OUSD(C) no later than 240 days from the end of the grace period.

★1207 WRITE-OFF AND CLOSE-OUT OF ACCOUNTS RECEIVABLE

120701. See Volume 4, Chapter 3 of this Regulation for guidance on write-off of accounts receivable.

120702. In accordance with the TFM, Volume I, Part 2, Chapter 4500, close-out of foreign government accounts receivable may require special statutory authority.