

## CHAPTER 54

### CASH, RECEIVABLES, ADVANCES, AND CASH MANAGEMENT

#### A. GENERAL ASSET CATEGORIES

1. Entity Assets. Entity assets are those assets which the reporting entity has authority to use in its operations. The authority to use funds in an entity's operations means that entity management has the authority to decide how funds are used, or management is legally obligated to use funds to meet entity obligations.

a. Intragovernmental Entity Assets. Intragovernmental entity assets arise from transactions among federal entities and are claims of a federal entity against other federal entities which, when collected, can be used in the collecting entity's operations. Intragovernmental entity assets include an entity's fund balance with Treasury with which the entity is authorized to make expenditures and pay liabilities, accounts receivable from federal entities that an entity is authorized by law to include in its obligational authority or to offset its expenditures and liabilities upon collection, and advances and prepayments.

b. Governmental Entity Assets. Governmental entity assets are claims of the federal government or an entity (i.e., the Defense Working Capital Fund (DWCF)) of the federal government against nonfederal entities and which, upon collection, can be used in the collecting entity's operations. (The term "nonfederal entities" encompasses domestic and foreign persons and organizations outside the U.S. Government.) Governmental assets include cash, accounts receivable from nonfederal entities, and advances and prepayments made to nonfederal entities.

2. Non-Entity Assets. Non-entity assets are those assets that are held by an entity but are not available to the entity.

a. Intragovernmental Non-Entity Assets. Intragovernmental non-entity assets are claims of a federal entity against other federal entities which, when collected, cannot be used by the collecting entity. Intragovernmental non-entity assets include an entity's fund balance with Treasury that is maintained in deposit, suspense, and clearing accounts and that are therefore not available to finance the entity's activities.

b. Governmental Non-Entity Assets. Governmental non-entity assets are claims of the federal government or an entity (i.e., the DWCF) of the federal government against nonfederal entities that, upon collection, cannot be used by the collecting entity.

#### B. FUND BALANCE WITH TREASURY AND CASH

1. GENERAL INFORMATION. Volume 4, "Accounting Policy and Procedures," chapter 2, "Cash," contains general information related to fund balance with treasury and cash.

2. Fund Balance With Treasury. A federal entity's fund balance with the Treasury is the aggregate amount of funds in the entity's accounts with Treasury for which the entity is authorized to make expenditures and pay liabilities. Within the Department of Defense, the fund balance with Treasury is the net total of general ledger accounts 1011, "Funds Collected," 1012, "Funds Disbursed," 1013, "Funds With Treasury," 1014, "Undistributed Collections," and 1015, "Undistributed Disbursements."

a. Fund Balance Increases. The fund balance with Treasury of the DWCF is primarily increased through the receipt of reimbursements from DoD and other entities. However, it is also increased through the receipt of appropriations, reappropriations, continuing resolutions, appropriation restorations, and allocations, and non-expenditure transfer of funds from other entities. The fund balance does not include contract authority or unused authority to borrow. Contract authority merely permits a federal entity to incur certain obligations but does not, in itself, add funds to the agency's accounts with Treasury. (By definition, contract authority is unfunded and must subsequently be funded by an appropriation to liquidate obligations incurred under the contract authority, or by the collection and use of receipts.) Authority to borrow is a statutory authority that permits a federal agency to incur obligations and make payments for specific purposes out of borrowed funds. Authority to borrow adds funds to an agency's accounts with Treasury only after the agency actually uses the authority to borrow a specific amount of funds. Thus, authority to borrow is included in an entity's fund balance with Treasury only to the extent that funds are actually borrowed under the authority.

b. Financial Statement Footnote Requirements for Fund Balance With Treasury. Disclosure should be made to distinguish two categories of funds within the entity's fund balance with Treasury: (1) the obligated balance not yet disbursed and (2) the unobligated balance. The obligated balance not yet disbursed is the amount of funds against which budgetary obligations have been incurred, but disbursements have not been made. The unobligated balance is the amount of funds available to an entity against which no claims have been recorded. Unobligated balances are generally available for specific purposes stipulated by law. Unobligated balances also may include balances in expired accounts that are available only for approved adjustments to prior obligations. Certain unobligated balances may be restricted to future use and are not apportioned for current use. Disclosure should be provided on such restrictions. The amount and cause of any discrepancy between the fund balance with Treasury in general ledger accounts and the fund balance in the Treasury accounts should be explained in footnotes to financial statements. Discrepancies may be due to time lag or due to error. Discrepancies due to error should be corrected when identified.

3. Account Symbol. A Treasury account symbol--97X4930--has been assigned to the DWCF for the purpose of maintaining fund balances with the Department of the Treasury.

4. Recordation/Reconciliation of Cash Transactions. All cash transactions shall be recorded in the individual activity accounts and shall be reconciled to total monthly cash transactions reported by the departmental finance network.

5. Violations. The cash on hand at the U.S. Treasury account levels must always be sufficient to pay liabilities when due. The responsibility for DBOF cash management is prescribed in paragraph E. of this chapter. Each DoD Component, activity group, and/or activity operating within the DWCF must comply with the Under Secretary of Defense (Comptroller) cash management policy. A transaction that causes a negative balance in the funds with the Treasury account shall be investigated immediately and reported as an apparent violation of the Antideficiency Act as prescribed in DoD Directive 7200.1, "Administrative Control of Appropriations." In accordance with DoD Directive 7200.1, the report of apparent violation will continue to be updated to provide information on the progress of the investigation. Updating of an interim report of apparent violation shall be continued until the investigation discloses that a violation did not occur, or a final report of violation is submitted.

6. Outlays. Gross outlays should be equal to the cumulative amount of disbursements made for the fiscal year to date. Net outlays should be equal to gross outlays less the cumulative amount of collections received for the fiscal year to date.

7. Current Balance. The current balance of funds with Treasury is equal to the amount as of the beginning of the fiscal year plus the cumulative fiscal year to date amounts of collections, appropriations, and transfers in of fund balances with Treasury received minus the cumulative fiscal year to date amounts of withdrawals, transfers out, and disbursements.

8. Cash Accounts. Separate general ledger accounts have been established to account for cash collections and cash disbursements. A collection or disbursement shall be recorded only when documentary evidence supports an increase or decrease to the Treasury account.

a. Cash Collections

(1) Advances Received. A cash advance received shall be recorded as a collection and a liability (account series 2310, "Advances from Others"). The usual entry for the receipt of advances is as follows:

Dr 1011.1 Funds Collected - Operating Program  
Cr 2310 Advances from Others

(2) Refunds. A refund received is a reduction of a previous disbursement and shall, therefore, be recorded as a decrease to disbursements (negative disbursement) with an offsetting credit to the appropriate previously recorded refunds receivable account (account 1315, "Refunds Receivable - Government," or account 1316, "Refunds Receivable - Public"). If a refund is received for which a refund receivable was not previously established, the offsetting credit should be to the asset or expense account that was originally debited. The usual entry for the receipt of refunds is as follows:

Dr 1011.2 Funds Disbursed - Operating Program  
Cr 1315 Refunds Receivable - Government  
or, as applicable  
Cr 1316 Refunds Receivable - Public

(3) Funds Collected - Operating Program. General ledger account 1011.1, "Funds Collected - Operating Program - DBOF," has been established to record funds collected that are applicable to the operating program. Collections may be due to advances from outside sources, performance of reimbursable work, collection of receivables, sale of assets, and other sources. All cash inflows shall be initially recorded to the general ledger account 1011.1. Periodically, but at least monthly prior to financial statement preparation, the amount applicable to the capital program [see subparagraph B.8.a.(4) that follows] shall be transferred from general ledger account 1011.1, "Funds Collected - Operating Program," to general ledger account 1011.2, "Funds Collected - Capital Program." The usual entry to record a cash collection is as follows:

Dr 1011.1 Funds Collected - Operating Program  
Cr 1311 Accounts Receivable - Government - Current

(4) Funds Collected - Capital Program. General ledger account 1011.2, "Funds Collected - Capital Program - DBOF," has been established to record cash inflows applicable to the capital program. As stated in subparagraph B.8.a.(3) above, all cash inflows shall be initially recorded to account 1011.1, "Funds Collected - Operating Program." Periodically, but at least monthly prior to financial statement preparation, the applicable amount shall be transferred from general ledger account 1011.1, "Funds Collected - Operating Program," to general ledger account 1011.2, "Funds Collected - Capital Program." The preferred method to transfer collections to account 1011.2 is on a transaction basis. The transfer, however, may be made on a time basis

(daily, weekly, etc.). The transfer must, however, be made at least monthly prior to financial statement preparation. The amount to be transferred to account 1011.2 shall be computed by first determining, at each DBOF activity, the percentage of the stabilized billing rate that is added to fund the capital asset program within that activity's business area. (Stabilized billing rates should, in addition to recovering operating costs, also include a factor to fund the capital asset program. That factor is composed of the expected depreciation expense and, if applicable, any additional capital surcharge. Since stabilized billing rates should not change during the fiscal year, the percentage allocation between the operating and capital program cash collection accounts should not change during the fiscal year.) The resulting ratio is then applied to the monthly change in funds collected at that activity. The percentage is applied to all collections received that fiscal year, even though, for some collections, the revenue was generated in the prior fiscal year. For example, assume that at Activity X the stabilized billing rate is \$100 of which \$5 is to fund the capital asset program. The resulting percentage is therefore 5 percent (\$5 divided by \$100 = 5%). Each dollar of collections results in a \$0.95 (95¢) increase to account 1011.1, "Funds collected - Operating Program," and a \$0.05 (5¢) increase to account 1011.2, "Funds Collected - Capital Program."

At the illustrative Activity X, the cash collections for this month were \$3.5 million. The usual entry to record a cash collection is as follows:

Dr 1011.1 Funds Collected - Operating Program	\$3,500,000	
Cr 1311 Accounts Receivable - Government - Current		\$3,500,000

Computation of 5 percent of the cash collections for the month yields \$175,000. The entry to transfer \$175,000 between the cash accounts is:

Dr 1011.2 Funds Collected - Capital Program	\$175,000	
Cr 1011.1 Funds Collected - Operating Program		\$175,000

b. Fund Balance Decreases. The fund balance with Treasury of the DWCF is primarily reduced by disbursements made to pay liabilities or to purchase assets, goods, and services and reimbursements to other entities or to the Treasury. It is also reduced by cancellation of expired appropriations, non-expenditure transfers, and sequestration or rescission of appropriations.

(1) Funds Disbursed - Operating Program. General ledger account 1012.1, "Funds Disbursed - Operating Program - DBOF," has been established to record cash outflows that occurred due to activity attributable to the operating program (vice capital program). The usual entry to record a cash disbursement applicable to the operating program is as follows:

Dr 2110 Accounts Payable	
Cr 1012.1 Funds Collected - Operating Program	

(2) Funds Disbursed - Capital Program. General ledger account 1012.2, "Funds Disbursed - Capital Program - DBOF," has been established to record cash outflows that occurred due to activity attributable to the DBOF capital program (vice operating program). The usual entry to record a cash disbursement applicable to the capital program is as follows:

Dr 2110 Accounts Payable	
Cr 1012.2 Funds Collected - Capital Program	

(3) Advances Paid. A cash advance made for an anticipated procurement shall be recorded as a cash disbursement and an asset (account series 1410, "Advances to Others"). The usual entry for the payment of advances is as follows:

Dr 1410 Advances to Others  
Cr 1012.2 Funds Disbursed - Capital Program

c. Fund Transfers. Fund transfers, as may be directed by the Under Secretary of Defense (Comptroller), may be made to or from the "Funds With Treasury" account and processed through the U.S. Treasury as an increase or decrease to the appropriate Treasury symbol. Authorized fund transfers among or between Treasury symbols (accounts) shall be accomplished through preparation of a Non-Expenditure Transfer Authorization (Standard Form 1151).

9. Undistributed Collections and Undistributed Disbursements

a. Subsidiary accounts to general ledger account 1014, "Undistributed Collections," and general ledger account 1015, "Undistributed Disbursements," shall be established to account for undistributed cash transactions at the lowest organizational level to which they can be identified. The subsidiary accounts are:

1014.1 Undistributed Collections - DBOF Component Level  
1014.2 Undistributed Collections - DBOF Business Area Level  
1014.3 Undistributed Collections - DBOF Installation Level  
1015.1 Undistributed Disbursements - DBOF Component Level  
1015.2 Undistributed Disbursements - DBOF Business Area Level  
1015.3 Undistributed Disbursements - DBOF Installation Level

b. These subsidiary accounts are used to record collections (1014) or disbursements (1015) which are identified to:

- (1) A DoD Component, but not to a business area (GLA 1014.1 and GLA 1015.1),
- (2) A business area, but not to an installation (GLA 1014.2 and GLA 1015.2), or
- (3) An installation, but not to a specific transaction (GLA 1014.3 and GLA 1015.3).

c. Collections or disbursements should be identified by the finance network to the lowest level to which they can be distributed. That level shall record the undistributed collection or undistributed disbursement and provide any action necessary to research the account for proper disposition.

d. The "Undistributed Collections" account is used to record collections reported by the finance network which cannot be identified to a specific organizational level or transaction. Amounts recorded in this account shall be researched for proper disposition by the lowest organizational level to which they can be distributed or identified. Erroneous collections reported by the finance network shall be reversed. Prior to financial report preparation, the remaining value in this account shall be transferred to Account 1311, "Accounts Receivable - Government - Current or Account 1313, "Accounts Receivable - Public - Current," based upon the best information available as to the proper account. Immediately after financial report preparation, the value previously transferred shall be reversed and reestablished within this account for further research. These latter transactions are necessary to properly reflect the fund balance with the U.S. Treasury as contained in finance network reports. The following illustrate entries to this credit-balance account:

Dr 1011.3 Funds Collected - Undistributed - DBOF  
    Cr 1014.# Undistributed Collections  
        ("##" represents the specific Undistributed  
        Collections subsidiary account.)

To record amounts shown as collected on finance network reports but not shown on the records of the accounting entity.

Dr 1014.# Undistributed Collections  
    Cr 1011.3 Funds Collected - Undistributed - DBOF

To reverse undistributed collections when identified to the proper activity.

Dr 1014.# Undistributed Collections  
    Cr 1311 Accounts Receivable - Government - Current  
    Cr 1313 Accounts Receivable - Public - Current

To transfer undistributed collections reported by the finance network prior to financial report preparation.

Dr 1311 Accounts Receivable - Government - Current  
Dr 1313 Accounts Receivable - Public - Current  
    Cr 1014.# Undistributed Collections

To reverse undistributed collections reported by the finance network following financial report preparation.

e. The "Undistributed Disbursements" account is used to record the disbursements reported by the finance network which cannot be identified to a specific organizational level or transaction. Amounts recorded in this account shall be researched for proper disposition by the lowest organizational level to which they can be distributed. Erroneous disbursements reported by the finance network shall be reversed. Prior to financial report preparation, the remaining value in this account shall be transferred to Account 2111, "Accounts Payable - Government - Current or Account 2113, "Accounts Payable - Public - Current," based upon the best information available as to the proper account. Immediately after financial report preparation, the value previously transferred shall be reversed and reestablished within "Undistributed Disbursements" for further research. These latter transactions are necessary to properly reflect the fund balance with the U.S. Treasury as contained in finance network reports. The following illustrate entries to this debit-balance account:

Dr 1015.# Funds Disbursed - Undistributed - DBOF  
Cr 1012.3 Funds Disbursed - Undistributed - DBOF  
("# represents the specific Undistributed Disbursements subsidiary account.)

To record amounts reported as disbursed on finance network reports, but not shown on the records of the accounting entity.

Dr 1012.3 Funds Disbursed - Undistributed - DBOF  
Cr 1015.# Undistributed Disbursements

To reverse undistributed disbursements when identified to the proper activity.

Dr 2111 Accounts Payable - Government - Current  
Dr 2113 Accounts Payable - Public - Current  
Cr 1015.# Undistributed Disbursements

To transfer undistributed disbursements reported by the finance network prior to financial report preparation.

Dr 1015.# Undistributed Disbursements  
Cr 2111 Accounts Payable - Government - Current  
Cr 2113 Accounts Payable - Public - Current

To reverse undistributed disbursements reported by the finance network following financial report preparation.

10. Nonexpenditure Fund Transfers To or From the Business Operations Fund. Nonexpenditure transfers of funds may be received from, or may be made to, another appropriation or fund only as supported by an approved SF 1151, "Nonexpenditure Transfer Authorization." Typical budgetary and proprietary accounting entries applicable to transfer of budgetary resources to and from other appropriations and funds are illustrated below.

a. Transfers Out of Budgetary Resources

Dr 4511 Unallocated Apportionment - Direct Program  
(or, if automatically apportioned)  
Dr 4518 Unallocated Apportionment - Reserve for Anticipated  
Resources - Automatically Apportioned  
Cr 4160 Anticipated Transfers of Current  
Fiscal Year Authority

Entry to record an anticipated transfer from a business operations fund to another appropriation or fund.  
(This is a departmental level entry only.)

Dr 4160 Anticipated Transfers of Current  
Fiscal Year Authority  
Cr 4170 Appropriation Transfers

Entry to record an authorized transfer from a business operations fund to another appropriation or fund.  
Documentation supporting this entry includes SF 1151,  
"Nonexpenditure Transfer Authorization."  
(This is a departmental level entry only.)

Dr 4614 Uncommitted/Unobligated Allotments -  
Reimbursable Program - Current Period  
Cr 4581 Automatic Reimbursement Program

Dr 3211.4 Net Treasury Balance - DBOF  
Cr 1013 Funds With Treasury

Entry to record a reduction of unobligated business operation fund resources due to an authorized transfer from a business operations fund to another appropriation or fund.  
(This is an activity level entry only.)

b. Transfers In of Budgetary Resources

Dr 4160 Anticipated Transfers of Current  
Fiscal Year Authority  
Cr 4517 Unallocated Apportionment - Reserve for Other  
Anticipated Resources

Entry to record an anticipated transfer from another appropriation or fund to a business operations fund.  
(This is a departmental level entry only.)

Dr 4170 Appropriation Transfers  
Cr 4160 Anticipated Transfers of Current  
Fiscal Year Authority

Dr 1013 Funds with Treasury  
Cr 3211.4 Net Treasury Balance - DBOF

Entry to record an authorized transfer from another appropriation or fund to a business operations fund. Documentation supporting this entry includes SF 1151, "Nonexpenditure Transfer Authorization."  
(This is a departmental level entry only.)

Dr 4517 Unallocated Apportionment - Reserve for Other  
    Anticipated Resources  
Cr 4543 Allocations Issued - Reimbursable Program

Dr 3211.4 Net Treasury Balance - DBOF  
Cr 1013 Funds with Treasury

Entry to record obligational authority allocated. Documentation supporting this entry includes SF 1151, "Nonexpenditure Transfer Authorization." (This is a departmental level entry only.)

Dr 4581 Automatic Reimbursement Program  
Cr 4614 Uncommitted/Unobligated Allotments -  
    Reimbursable Program - Current Period

Dr 1013 Funds With Treasury  
Cr 3211.4 Net Treasury Balance - DBOF

Entry to record a transfer to the business operations fund from another appropriation or fund. (This is an activity level entry only.)

## C. RECEIVABLES

1. GENERAL INFORMATION. Volume 4, "Accounting Policy and Procedures," chapter 3, "Receivables," contains general information related to fund receivables.

2. General. Accounts receivable arise from claims to cash or other assets of other entities. Normally, there shall be no amounts in account 1311, "Accounts Receivable - Government - Current," and account 1313, "Accounts Receivable - Public - Current," at the end of a month due to uncollected progress billings since collections for these billings shall be processed in the same month in which the billings are prepared.

3. Recognition of Receivables. A receivable should 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 payment due date, or goods or services provided. If the exact amount is unknown, a reasonable estimate should be made.

4. Supporting Records. General ledger receivable balances shall be supported by detailed records of each amount receivable from each customer such as the date recorded, bill number, and date billed.

5. Reconciliations. At least quarterly, the subsidiary records shall be reconciled to the general ledger balances. Differences between subsidiary records and general ledger balances shall be investigated to determine the cause(s) of the difference. Errors found during the investigation shall be corrected.

6. Requirements for Separate Reporting of Receivables

a. Federal and Nonfederal Receivables. Receivables from federal entities are intragovernmental receivables, and should be reported separately from receivables from nonfederal entities. Intragovernmental receivables are claims of a federal entity against other federal entities.

b. Entity versus Non-Entity Receivables. Receivables should be distinguished between entity receivables and non-entity receivables as discussed below.

(1) Entity Receivables. 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 obligational authority or to offset its expenditures and liabilities upon collections. (An entity may have receivables that, once collected, can be used as offsets to the entity's budget authority and outlays only when authorized by Congress [offsetting collections]. Before receiving the authorization, however, those receivables are non-entity receivables.)

(2) Non-Entity Receivables. Non-entity receivables are amounts that the entity collects on behalf of the U.S. government or other entities, and the entity is not authorized to spend. Receivables not available to an entity are non-entity assets and should be reported separately from receivables available to the entity.

7. Recognition of Losses Due to Uncollectible Amounts. 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 occurrence. An allowance for estimated uncollectible amounts should be recognized to reduce the gross amount of receivables to its net realizable value. The allowance for uncollectible amounts should be reestimated on each annual financial reporting date and when information indicates that the latest estimate is no longer correct. Losses due to uncollectible amounts should be measured through a systematic methodology. The systematic methodology should be based on analysis of both individual accounts and a group of accounts as a whole.

a. Individual Account Analysis. Accounts that represent significant amounts should be individually analyzed to determine the loss allowance. Loss estimation for individual accounts should be based on (1) the debtor's ability to pay, (2) the debtor's payment record and willingness to pay, and (3) the probable recovery of amounts from secondary sources including liens, garnishments, cross collections and other applicable collection tools.

b. Group Analysis. To determine the loss allowance on a group basis, receivables should be separated into groups of homogeneous accounts with similar risk characteristics. The groups should reflect the operating environment. For example, accounts receivable can be grouped by (1) debtor category [business firms, state and local governments, and individuals], (2) reasons that gave rise to the receivables [erroneous payments or trade accounts based on goods and services sold], or (3) geographic regions [foreign countries and domestic regions]. Within a group, receivables can be further stratified by risk characteristics. Examples of risk factors are economic stability, payment history, alternative repayment sources, and aging of the receivables. Statistical estimation by modeling or sampling is one appropriate method for estimating losses on groups of receivables. Statistical estimation should take into consideration factors that are essential for estimating the level of losses, including historical loss experience, recent economic events, current and forecast economic conditions, and inherent risks.

c. Bad Debts. Provisions made for an allowance for loss on refunds, claims, and accounts receivable shall result in a corresponding increase to the GLA 6129, "Bad Debts," expense account. Interest, penalties, and administrative charges shall be assessed on delinquent

receivables due from the public and aggressive action taken to collect receivables in accordance with DoD Directive 7045.13, "DoD Credit Management and Debt Collection Program."

d. Write-off of Uncollectible Receivables. Collection actions for receivables due from the public should be initiated in accordance with the provisions of OMB Circular A-129, "Policies for Federal Credit Programs and Non-Tax Receivables." Additionally, with regard to the write-off of amounts owed by the public, a supplement to the Treasury Financial Manual entitled, "Managing Government Credit," states that an agency will consider a debt uncollectible, terminate collection action, and write off the debt when one or more of the following five criteria apply:

(1) The debt is without merit. In these cases, the debt was never owed in the first place and should not have been classified as a debt.

(2) The debt cannot be substantiated. In these cases, the agency does not have or cannot produce the evidence or witnesses necessary to validate a claim and has not been able to obtain the voluntary repayment of the debt.

(3) The costs of further collection action will probably exceed the amount which could be recovered.

(4) The agency is unable to locate the debtor and finds that either (a) there is no security to be liquidated to recover the amount owed, or (b) the statute of limitations has expired and the chances of recovering the debt do not justify retaining the debt as a receivable.

(5) The agency is unable to collect any substantial amount.

Further, debts due from the public that are \$100,000 or more must be referred to the Department of Justice for concurrence in terminating collection action. If the Department of Justice concurs with the decision to terminate collection action, the debt may be written off.

While the above criteria is specified by Treasury for writing-off receivables due from the public, similar criteria can be applied to receivables due from other Federal government entities.

8. Accounting Entries for Receivables. DoD receivables normally result from the performance of work authorized by the formal receipt and acceptance of customer reimbursable orders. Customer orders from the public, unless specifically authorized by law, require advance payment. However, receivables may also result from cash overpayments, erroneous payments, unliquidated advances or orders from other Government agencies and the public without payment in advance. When orders are received with advance payment, the performing activity is assured of reimbursement. However, when orders are received without advance payment, reimbursements may not always materialize. The following entries illustrate simplified transactions in proprietary and budgetary accounts where performance has been accomplished and revenue earned based on the acceptance of a reimbursable order without an advance.

a. To record allowance for uncollectible receivables.

Dr 6129 Bad Debts	\$50,000	
Cr 1319 Allowance for Loss on Accounts Receivable		\$50,000



Accounts Receivable was previously established unless the previously established Allowance for Loss on Accounts Receivable is not sufficient to cover the bad debt. If the Allowance is not sufficient, then the bad debt expense recorded is the difference between the amount of the write-off and the balance in the Allowance account. For example, in the illustration above, if Account 1319 had only a \$3000 credit balance, then the \$4000 write-off would be recorded as follows:

Dr 1319 Allowance for Loss		
on Accounts Receivable		\$3,000
Dr 6129 Bad Debts (If the GLA 1319 allow-		\$1,000
ance is not sufficient		
OR		
if an allowance had		
not previously been		
established)		
Cr 1310 Accounts Receivable		\$4,000

e. Budgetary Account Entries To Record Write-Off Of Uncollectible Receivables.

Whenever a receivable which was earned by performance on a reimbursable order is written off, appropriate entries in the budgetary accounts must be made to ensure: (a) removal of the corresponding uncollected reimbursement amount that is liquidated by a charge to the direct program, and (b) removal of unobligated reimbursable program authority equal to the receivable amount written-off. This requires the reversal of transactions in the reimbursable program accounts relating to performance on the uncollected reimbursable order. The following transactions illustrate, in the budgetary accounts, the receipt of, and performance on, an accepted order without an advance and the subsequent entries required to liquidate the earned but uncollectible reimbursement.

(1) Write-offs Absorbed by Reimbursable Program (DBOF) Funds. The transactions below illustrate write off of an uncollectible earned reimbursement against reimbursable program budgetary resources. Only the amount of the order that is uncollectible shall be written-off. For example, if \$4,000 of a \$10,000 reimbursable order is determined uncollectible, then the below entries would be only in the \$4,000 uncollectible amount--not the entire \$10,000. Paragraph C.8.e.(2) below illustrates write-off of an uncollectible earned reimbursement against direct program (appropriated) budgetary resources.

(a) To remove an accepted order, which is uncollectible, from the reimbursable program.

Dr 4221 Customer Orders Accepted		
- Automatic Apportionment		\$4,000
Cr 4581 Automatic Reimbursement Program		\$4,000

(b) To remove budgetary resources and reimbursements earned in the amount that is uncollectible.

Dr 4614 Uncommitted/Unobligated		
Allotments -Reimbursable		
Program - Current Period		\$4,000
Cr 4251 Reimbursements Earned -		
Uncollected - Automatic		
Apportionment		\$4,000

(3) Write-offs Absorbed by Direct Program Funds. The transactions below illustrate write off of an uncollectible earned reimbursement against direct program budgetary resources. Paragraph C.8.e.(1) above illustrates write-off of an uncollectible earned reimbursement against reimbursable program budgetary resources.

(a) To transfer an earned but uncollectible amount from the reimbursable program to the direct program.

Dr 4941	Accrued Expenditures Paid		
	- Reimbursable Program	\$4,000	
Cr 4931	Accrued Expenditures Paid		
	- Direct Program		\$4,000

(b) To remove the accepted order, which is uncollectible, from the reimbursable program.

Dr 4221	Customer Orders Accepted		
	- Automatic Apportionment	\$4,000	
Cr 4581	Automatic Reimbursement Program	\$4,000	

(c) To transfer an amount earned but uncollectible from the reimbursable program to the direct program.

Dr 4611	Uncommitted/Unobligated		
	Allotments - Direct Program		
	- Current Period	\$4,000	
Cr 4251	Reimbursements Earned - Uncollected -		
	Automatic Apportionment		\$4,000

#### D. ADVANCES AND PREPAYMENTS

1. General Information. Volume 4, “Accounting Policy and Procedures,” chapter 5, “Advances and Prepayments,” contains general information related to advances and prepayments.

2. Advances. Advances are cash outlays made by a federal entity to its employees, contractors, other federal entities, or others to cover a part or all of the recipients’ anticipated expenses or as advance payments for the cost of goods and services the entity acquires. Subsidiary records of individual advances shall be maintained to support the amount recorded in the general ledger account. The subsidiary record shall include the amount advanced, the date advanced, the applicable contract number, and the disposition of the advance. At least quarterly, the subsidiary record shall be reconciled with the general ledger balance.

3. Prepayments. Prepayments are payments made by a federal entity to cover certain periodic expenses before those expenses are incurred. Typical prepaid expenses are rents paid to a lessor at the beginning of a rental period. (Progress payments, cost reimbursement payments, and payments for partial deliveries made to a contractor or other federal entity based on partial completion of a contract or work request are not advances or prepayments but rather are payments based upon performance.)

4. Advances and prepayments should be recorded as assets. Advances and prepayments are reduced when goods or services are received, contract terms are met, progress is made under a contract, or prepaid expenses expire. A travel advance, for example, should be initially recorded as an asset and should be subsequently reduced when travel expenses are actually incurred. Amounts of advances and prepayments that are subject to refund (for example, a settled travel claim indicating the traveler owes part of the advance to the government) should be transferred to refunds receivable.

5. Advances and prepayments paid out by an entity are assets of the entity. On the other hand, advances and prepayments received by an entity are liabilities of the entity. In financial reports of an entity, advances and prepayments the entity paid out (assets) should not be netted against advances and prepayments that the entity received (liabilities).

6. Advances and prepayments made to federal entities are intragovernmental items and should be accounted for and reported separately from those made to nonfederal entities.

## E. CASH MANAGEMENT

1. Definition. Cash management is defined as actions necessary to maintain appropriate levels of cash to meet operational and capital requirements.

2. Purpose. The purpose of the DBOF cash management policy is to maintain the minimum cash balance necessary to meet both operational requirements and to meet disbursement requirements in support of the capital program.

3. Discussion. Cash generated from operations is the primary means of maintaining adequate cash levels within the DBOF. The ability to generate cash is dependent on rates that recover full costs to include prior year losses; accurate work load projections; and meeting established operational goals. Cash shortage correction efforts, when required to meet cash requirements and prevent a violation of the Antideficiency Act, will initially focus on those business areas failing to meet operational plans and, therefore, contributing to cash shortages.

4. Cash Level Criteria. Effective cash management is directly dependent on the availability of accurate and timely data on cash levels and operational results. The present criteria are for cash levels to be maintained at 7 to 10 days of operational cost (\$1.5 to \$2.1 billion) and cash adequate to meet 4 to 6 months of capital disbursements (\$.5 to .9 billion). Improvements in management data as well as changes in operational needs and capital requirements may dictate subsequent changes in the established cash level criteria. The criteria will be reviewed at least annually by the Office of the DoD Deputy Comptroller (Program/Budget) as part of the budget review and documented in a Program Budget Decision.

5. Cash Management Plan. The Director for Revolving Funds, Office of the DoD Deputy Comptroller (Program/Budget), will develop a cash plan to facilitate the cash management process. The plan shall consider collections, disbursements, appropriations, and other cash transactions based on DoD Component estimates. This annual plan will be initially developed during the budget process and will be an integral part of the budget document. In addition, a monthly phasing of the cash plan is required to monitor execution. A monthly execution review should lead to increased management attention to reduce costs, emphasize timely billing and collection of revenue, and timely disbursements. Variances from collection and disbursement plans of \$50 million for each business area will be required to be resolved; and overall cash balances of less than \$1 billion will require immediate action to increase cash levels.

6. Cash Management Responsibilities. The division of responsibilities for cash management are as follows:

a. OFFICE OF THE DEPUTY COMPTROLLER FOR PROGRAM/BUDGET:

(1) Develop overall cash plans based on the impact of operations, appropriations, reprogramming, and other cash transactions.

(2) Monitor overall cash levels.

(3) Establish procedures to correct short-term cash shortages.

b. DEFENSE FINANCE AND ACCOUNTING SERVICE:

(1) Provide timely and accurate reporting of cash levels by Component and business area.

(2) Improve cash reporting with the goal of providing real time cash balances.

(3) Work with DoD Components to correct finance and accounting problems and provide components details of DFAS changes to accounting reports.

(4) Insure collections/disbursements are consistent with policy.

(5) Take immediate corrective action to resolve cash shortages by implementing advance billing procedures when the overall cash level falls below \$1 billion and DFAS has determined that the cash shortage was not caused by an anomaly.

c. DOD COMPONENTS:

(1) Establish cash plans based on the approved budget.

(2) Monitor collections and disbursements to assess operational or financial problems.

(3) Take necessary action to correct operational problems contributing to deviations from cash plans.

(4) Ensure revenue recognition, progress billing, and collection policies are followed including the minimization of outstanding receivables.

(5) Work with DFAS to correct finance and accounting problems contributing to deviations from the cash plan.