

**VOLUME 4, CHAPTER 3: “RECEIVABLES”****SUMMARY OF MAJOR CHANGES**

All changes are denoted by **blue font**.

Substantive revisions are denoted by an asterisk (\*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

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

The previous version dated **February 2016** is archived.

| <b>PARAGRAPH</b> | <b>EXPLANATION OF CHANGE/REVISION</b>                                                                                                                                                                                        | <b>PURPOSE</b> |
|------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|
| 030102           | Additional sources were included in the “Authoritative Guidance” paragraph.                                                                                                                                                  | Addition       |
| 0302             | Revised existing definitions for clarification and added new definitions. Removed “DoD Component” and “Reimbursements” that are identical to the Glossary.                                                                   | Revision       |
| 030406           | The paragraph was updated to require intragovernmental customer allowance accounts on uncollectable receivables.                                                                                                             | Addition       |
| Figure 3-1       | Revised the table to include additional age categories consistent with U.S. Department of the Treasury (Treasury) guidance for the Treasury Report on Receivables, Treasury Financial Manual Volume I, Part 2, Chapter 4100. | Revision       |
| Annexes 1 – 2    | Annexes 1 and 2 were previously maintained as separate documents and were incorporated into the chapter and cancelled.                                                                                                       | Cancellation   |

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## CHAPTER 3

RECEIVABLES

## 0301 GENERAL

## 030101. Purpose

This chapter prescribes policy for the recognition, recording, and reporting of public and federal (hereafter referred to as intragovernmental) accounts receivable. Additionally, this chapter addresses the recognition, recording, and if not collected, eventual close-out of public receivables or the recording and adjusting/correcting of intragovernmental receivables.

## \*030102. Authoritative Guidance

The accounting policy and related requirements prescribed by this chapter are in accordance with the applicable provisions of:

A. Title 10, United States Code, sections 1095, 2201, and 2410(m) (10 U.S.C. §§ 1095, 2201, and 2410(m)).

B. 22 U.S.C. § 2767.

C. 31 U.S.C. §§ 1552(a), 1555, 3321, 3351-3558, 3711, and 3717.

D. 41 U.S.C. § 7104(a).

E. 42 U.S.C. § 2651.

F. Debt Collection Improvement Act of 1995 (DCIA).

G. Digital Accountability and Transparency Act of 2014 (DATA Act).

H. Title 31, Code of Federal Regulations, part 901.2 (31 CFR 901.1), “Aggressive agency collection activity.”

I. 31 CFR 901.9, “Interest, penalties, and administrative costs”

J. Office of Management and Budget (OMB Circular A-11), “Preparation, Submission, and Execution of the Budget.”

K. OMB Circular A-129, “Policies for Federal Credit Programs and Non-Tax Receivables.”

L. Federal Accounting Standards Advisory Board (FASAB) SFFAS) 1, “Accounting for Selected Assets and Liabilities.”

- M. FASAB [SFFAS 7](#), “Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting.”
- N. FASAB Technical Bulletin [\(TB\) 2020-1](#) “Loss Allowance for Intra-governmental Receivables.
- O. U.S. Department of the Treasury (Treasury) Financial Manual (TFM) Federal Account Symbols and Titles [\(FAST\) Book](#).
- P. TFM Volume 1 Part 2 [\(1 TFM 2-1500\)](#), “Description of Accounts Relating to Financial Operations.”
- Q. [1 TFM 2-4700](#), “Federal Entity Reporting Requirements for the Financial Report of the United States Government.”
- R. Treasury Report on Receivables [\(TROR\)](#).
- S. Federal Acquisition Regulation [\(FAR\) subpart 32.6](#), Contract Debts.
- T. DoD Directive [\(DoDD\) 3025.18](#), “Defense Support of Civil Authorities.”
- U. DoD Instruction [\(DoDI\) 1015.15](#), “Establishment, Management, and Control of Nonappropriated Fund Instrumentalities and Financial Management of Supporting Resources.”
- V. [DoDI 5010.40](#), “Managers’ Internal Control Program Procedures.”
- W. Government Accountability Office “Standards for Internal Control in the Federal Government” [\(Green Book\)](#).
- X. Defense Logistics Manual [\(DLM\) 4000.25](#), “Defense Logistics Management Standards.”

#### \*0302 DEFINITIONS

##### 030201. Accounts Receivable

Receivables arise from claims to cash or other assets against another entity. At the time revenue is recognized and payment has not been received in advance, a receivable must be established. Receivables include, but are not limited to, monies due for the sale of goods and services and monies due for indebtedness. Examples of indebtedness to DoD include overdue travel advances, Federal Employee Health Benefits paid while an employee is in a leave without pay status, dishonored checks, fines, penalties, interest, overpayments, fees, rent, claims, damages, and any other event resulting in a determination that a debt is owed to DoD. See Volume 16, “Department of Defense Debt Management” for comprehensive debt management policy and requirements to include administrative actions associated with the collection and disposition of debts owed to DoD.

An accounts receivable is categorized as either an entity or non-entity accounts receivable in accordance with [SFFAS 1](#):

A. Entity Accounts Receivable. Entity accounts receivable are amounts that a federal entity claims for payment from other federal or non-federal 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.

B. Non-Entity Accounts Receivables. Non-entity accounts receivable are amounts due to be collected by DoD on behalf of the U.S. Government or other entities, and DoD is not authorized to use. Non-entity accounts receivables are reported separately from receivables available to DoD (entity accounts receivables). Non-entity accounts receivable include governmental receipts and collections arising from the sovereign and regulatory powers unique to the Federal Government, (e.g., interest, penalties, income tax receipts, customs duties, court fines, and certain license fees). DoD accounts receivable in cancelled accounts are also non-entity receivables, because collections received after an appropriation cancels are deposited in the Treasury Account 3200, "Collections of Receivables from Canceled Accounts." Non-entity receivables are recorded as a receivable and a custodial liability. In addition, federal entities should not recognize fiduciary assets, liabilities, and flows in their financial statements, but only disclose them in a note disclosure.

030202. Accounts Receivable Office

The Accounts Receivable Office (ARO) is the office responsible for the recording and reporting of receivables and [may](#) 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) [center](#).

030203. Allowance for Loss on Accounts Receivable

[SFFAS 1](#) requires that an allowance for loss on accounts receivable 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.

030204. Current (Non-Delinquent) Receivables

Non-delinquent [receivables, i.e.](#), debts, are categorized as current and non-current assets. The portion of a non-delinquent debt that is scheduled to be collected in the next 12 months is recorded as current; the portion of a non-delinquent debt scheduled for collection after 12 months is recorded as non-current. The importance [of these categories](#) is to inform DoD and Treasury of the expected cash flow/liquidity of the asset (i.e., current versus non-current assets).

030205. Close-Out (Applies to Public Debt Only)

Close-out is one of two accounting classifications for writing off debt that indicate whether or not an agency will continue debt collection efforts after write-off. The ARO, in conjunction with the DoD Component Fund Holder, closes out a debt when it is determined that further debt

collection actions are prohibited (e.g., a debtor is released from liability in bankruptcy) or there are no plans to take any future active or passive actions to try to collect the debt. Close-out may occur concurrently with the write-off of an account receivable or at a later date, depending on the collection strategy and the ultimate determination that the debt has been discharged. At close-out, DoD may be required to report to the Internal Revenue Service (IRS) the amount of the debt as potential income to the debtor on IRS Form 1099C, Cancellation of Debt. Within DoD, the DFAS Tax Office (TO) is responsible for consolidating and issuing IRS Forms 1099C.

030206. Currently Not Collectible

Currently Not Collectible (CNC) is one of two accounting classifications for writing off debt that indicate whether or not an agency will continue debt collection efforts after write-off. CNC is a category of debt that has been written off on the DoD Component's financial statements, but cost effective debt collection efforts will continue to be taken by the cognizant Debt Collection Management Office (DCMO), Debt Collection Office (DCO), or Debt Management Office (DMO).

030207. Debt

Debt is defined in 31 U.S.C. § 3701(b)(1) as any amount of funds or property that has been determined by an appropriate official of DoD to be due to DoD by a person, organization, or entity other than another Federal agency. See Volume 16 for additional information on debt management.

030208. Debt Collection Office

The DCO is responsible for initial debt collection actions and serving due process. The DCO refers to a general category of offices and includes, but is not limited to, the ARO, military and civilian payroll offices, and other organizational elements within the DoD Components that perform debt management/collection actions (e.g., personnel offices).

030209. Delinquent Receivables

A. A receivable is delinquent if it has not been paid by the date specified in the DoD's initial written demand for payment or applicable agreement or instrument, unless other satisfactory payment arrangements have been made. If the contract or agreement provides for a "grace" period, Components do not report the debt as delinquent until that period expires without payment. In such cases, however, the date of delinquency is the original due date.

1. Delinquent debts are aged from the date of delinquency.
2. If a debtor is making payments according to the terms of a repayment plan approved by the agency, the debt is not considered to be delinquent.

3. On the TROR:

a. Report each debt owed by a single debtor with multiple debts as a separate debt.

b. Report each delinquent debt once, even if DFAS or DoD Component tracks delinquent payments on that debt separately. For example, if the debtor has missed two payments, and the agency keeps track of those delinquencies separately, report them together as one debt. If any installment is delinquent more than 180 days, report the debt on the TROR as delinquent more than 180 days.

B. DoD Components must report the entire amount of each single debt as delinquent, if any part of it has been delinquent more than 180 days and the debt has been accelerated.

030210. Direct Cost

A direct cost includes any cost that can be identified specifically with handling cases or accounts during the debt collection process. These costs normally include the cost of personnel, computer equipment, supplies, postage, contract services, and administrative fees charged by the Department of Treasury.

030211. Due Process

Due process is the notice of indebtedness and the opportunity provided the debtor to dispute the indebtedness. The Fifth Amendment of the U.S. Constitution provides that no person “shall be deprived of life, liberty or property without due process of law...” The minimum due process required is generally established by the statutes that authorize the use of a specified debt collection tool or by implementing regulations. In the context of federal debt collection, the constitutional right of due process requires the debtor be provided with notice of, and the opportunity to dispute, a debt or intended debt collection action. See Volume 16 for additional guidance.

030212. Indirect Cost

Indirect cost includes costs associated with the debt collection process that benefits at least one other activity. These costs must be accumulated only when they are expected to exceed 20 percent of the direct costs.

030213. Intragovernmental Receivables

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

**030214. Non-Current Non-Delinquent Receivables**

Non-current non-delinquent receivables are non-delinquent accounts receivables that will not become due within 12 months after the receivable is established.

**030215. Non-Delinquent Receivables**

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

**030216. Public/Non-Federal Receivables**

Public/non-federal receivables are claims of DoD against non-federal entities. The term “public/non-federal entities” encompasses domestic and foreign persons and organizations outside the U.S. Government, including Nonappropriated Fund Instrumentalities (NAFIs) for purposes of processing receivables. Examples are: salary/travel overpayments; overpayments to contractors/vendors due to duplicate and erroneous billings; incorrectly computed invoices; non-FMS foreign government fuel purchases; contract default; amounts due for items rejected or returned; and amounts due on payments for contractual services such as rent, insurance, and transportation purchased, where such contracts are canceled and adjustments are made for the unused portion.

**030217. Rescheduled Receivables**

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

**030218. Tax Office**

The Tax Office is the office that prepares the IRS Form 1099C for reporting to IRS closed-out, uncollected, public vendor, contractor, and individual debt.

**030219. Trading Partners**

Trading Partners collectively refers to the requesting agency (buyer) and the providing agency (seller) involved in intragovernmental transactions.

**030220. Treasury Report on Receivables**

The TROR is a quarterly report of public receivables prepared in compliance with the Treasury guidance. It provides a means for collecting data on the status and condition of the total receivable portfolio from public sources. See section 0306 for additional information.

## 030221. Terminate Collection Action

Terminate Collection Action is a decision to cease active collection action on a debt, in accordance with criteria set out in the Federal Claims Collection Standards, because such collection action is not economically worthwhile or is otherwise inappropriate. “Termination” of debt collection is a legal procedure, which is separate and distinct from the accounting procedure of “write-off”. See 31 U.S.C. § 3711 on additional guidance on termination collection action.

## 030222. Write-off of Receivables

The write-off of a receivable is an accounting action that results in removing a non-federal (public) receivable from the DoD Component’s financial accounting records/financial statements. All debt must be adequately reserved for in the allowance account. All write-offs must be made through the allowance account. Under no circumstances are debts to be written off directly to expense. In accordance with OMB Circular A-129, when a receivable is written off, it must be classified as CNC or closed-out. Receivables that are classified as CNC must be maintained in an inactive administrative file and reported on the TROR until the receivable is closed-out. See paragraph 030407 for additional guidance on write-off of receivables.

## 0303 RECEIVABLES POLICY

## 030301. Recording

A. A receivable must be established when payment is not received in advance or at the time revenue is recognized. Receivables must be recorded when earned from the sale of goods and services or when an event results in the determination that a debt is owed to DoD, *i.e., in the applicable accounting system during the month the receivable occurs*. Accounting records for receivables must be maintained so that all transactions affecting the receivables are included in the reporting period of occurrence. There must be immediate recording of events not previously recorded due to error or oversight. The requirements for recording and reporting errors *on the financial statements* are detailed in Chapter 15.

B. DoD Components *must* recognize accounts receivable and unfilled orders without an advance as valid budgetary resources when such receivables or unfilled orders are from federal entities. Absent statutory authority, Components *must* not recognize accounts receivable and unfilled orders without an advance as valid budgetary resources when such receivables or unfilled orders are from public/non-federal entities.

C. DCOs must ensure that the appropriate ARO is advised that a receivable is to be established in the applicable accounting system. DCOs will provide the ARO with signed copies of indebtedness notices and other appropriate documentation to support entries in the accounting system and will provide the status of the debt which includes: beginning debt balance, collections, adjustments, current ending balance and notice of discontinuance of collection efforts. Supporting documentation will be maintained in the applicable accounting system. See Volume 1, Chapter 9 for records retention.

## 030302. Advance Payments

A. In general, an advance payment is required for orders from the public, including state and local governments, except for fuel, as the sale of petroleum products to the public is covered by fuel purchasing agreements. The order must be accompanied by an advance equivalent to the actual or estimated cost of goods and services, emergency medical care at military treatment facilities, natural disasters, see DoDD 3025.18, immediate wartime requirements must be [in accordance with](#) 10 U.S.C. § 2201, and in certain instances, NAFIs. For cross-servicing agreements with foreign governments see Volume 11A, Chapter 8. If amounts are sufficient, Military Departments may use their own appropriated fund budgetary resources to perform a reimbursable order for a NAFI without an advance. However, they **must** not recognize budgetary resources for the order until the account receivable is paid. An advance payment from foreign governments for FMS is held and recorded in the FMS Trust Fund or investment accounts that can be drawn on to meet the foreign government's FMS obligations.

B. The Department has statutory authority to record a budgetary resource for non-federal orders without an advance for work performed under the provisions of 22 U.S.C. § 2767. Components must request approval from the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) in advance of accepting the order(s) and recording the budgetary resource. The OUSD(C) will coordinate with OMB to ensure the resulting budgetary entries will be accepted within federal-wide accounting and reporting systems.

C. Additional information regarding budgetary resources may be found in Volume 3, entitled "Budget Execution – Availability and Use of Budgetary Resources," and in the Glossary. See Volume 11B, Chapter 11 and Volume 4, Chapter 5 for Defense Working Capital Funds' policy on receipt of advances on orders from non-federal entities.

## 030303. Sales of Goods and Services

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

## 030304. Collection of Receivables

A. The collection of receivables must 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, demand letter, or notice of payment due; unless a specific due date is established by statute, contract provision, or notice of indebtedness. Collection actions must be initiated when payment becomes due. [See Volume 16, Chapter 2 for additional information on due process.](#)

B. Funds must be collected in the appropriation that earned the funds, or in the case of a refund, into the appropriation from which the excess payment was made, unless otherwise specified by law. Examples of applicable legal provisions include, but are not limited to:

1. In accordance with 42 U.S.C. § 2651, amounts recovered from a liable third-party or insurer due to a service member's injury or disease **must** be credited to current operating funds as follows:

a. Amounts recovered for hospital, medical, surgical, or dental care and treatment will be credited to the current operating funds of the facility or activity that provided the care and treatment.

b. Amounts recovered for loss of the service member's duty will be credited to current operating funds of the command, activity, or unit to which the service member was assigned at the time of the injury or illness.

2. In accordance with 10 U.S.C. § 1095, collection from third parties for medical services provided **must** be recorded against the year in which the collection is received regardless of year service was provided.

C. Any collections including refunds received after an appropriation cancels must be deposited in Treasury Account 3200, "Collections of Receivables from Canceled Accounts." See paragraph 030311 for additional guidance on accounts receivable and canceled appropriations.

030305. Allowance Account and Aging

A. An allowance for uncollectible accounts receivable due from the public and **intragovernmental customers** must be estimated and recorded.

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

C. The AROs (on behalf of the DoD Components) must age delinquent accounts receivable within the accounting system.

D. Aging of receivables (delinquency) starts one day after the due date for both public and intragovernmental (within and outside DoD) receivables. See Figure 3-1.

030306. Interest Penalties, and Administrative Receivable

**Interest, Penalties, and Administrative (IPA) receivables** are DoD assessments added to delinquent debts. The full amount of a delinquent debt is the sum of the principal, accrued program interest, and any other penalties and/or administrative charges that are due and owed to the Department. See Volume 16, Chapter 7 for detailed IPA information.

A. Interest accrues from the first day of delinquency and is added to the outstanding principal receivable balance within the accounting system when an amount due is not received by the due date or other agreed upon date. Interest also must be recognized on outstanding accounts receivable against persons and entities in accordance with provisions in 31 U.S.C. § 3717. Until the interest payment requirement is officially waived by the Department or the related debt is closed-out, interest will accrue. Note that debts owed by any federal agency are exempt from interest, penalty, and administrative charges. Interest receivable is considered a non-entity receivable.

B. An interest receivable must also be recorded for the amount of interest income earned but not received for an accounting period. An interest receivable must be recorded as it is earned on investments in interest-bearing securities.

030307. Payment Application

When a debt is paid in partial or installment payments, amounts received will be applied first to contingency fees, second to outstanding penalties, third to administrative charges, and fourth to interest per Federal Claims Collection Standards, 31 CFR § 901.9(f) and lastly to principal.

030308. General Ledger Accounting

Information on receivables must be developed, maintained, and reported using the U.S. Standard General Ledger (USSGL) accounts depicted in Volume 1, Chapter 7. The first six digits of the accounts receivable general ledger account must conform to the USSGL chart of accounts. DoD requires the use of the DoD Standard Chart of Accounts (SCOA). The DoD SCOA and accounting transactions for collections and receivables are outlined in the DoD USSGL Transaction Library, available on the Standard Financial Information Structure ([SFIS](#)) web page.

030309. Internal Controls

The basic standards for internal controls prescribed in DoDI 5010.40, must be adhered to in establishing and collecting receivables.

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

B. Proper internal controls require the accurate and timely recording of transactions (refer to paragraph 030301), appropriate documentation and retention appropriate authorization (i.e., executed only by persons acting within the scope of their authority) and appropriate management.

C. Responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets must be separated so that no one individual controls all key aspects of a transaction or event (e.g., a technician responsible for

creating cash or check due transactions cannot also be responsible for collecting cash or checks), must be maintained.

D. Each DoD Component must develop and implement internal operating procedures and/or guidance to implement this overarching policy in a manner that ensures accurate, timely, and relevant reporting of financial data. Internal operating procedures must include a **dormant account** review **quarterly (DAR-Q)** for accounts receivable as described in Volume 3, Chapter 8. Relevant records supporting financial statements **must** be maintained and made available during financial statement audits.

#### 030310. Erroneous, Invalid, and Unsubstantiated Accounts Receivables

During the **DAR-Q**, receivables must be reviewed for completeness, accuracy, and supportability. Abnormal or erroneous accounts receivable must be promptly researched and resolved. If at any time it is determined that a debt was never owed and should not have been classified as an accounts receivable, the accounting records must be adjusted. Return all funds collected to the debtor for **an** unsubstantiated account receivable.

A. For errors detected in the year the receivable was recorded, reverse the entry. For errors detected in subsequent fiscal years, record an entry in accordance with the requirements for recording and reporting errors in **the financial statements**, Chapter 15, paragraph 150601.

B. A billing DoD Component **that** cannot produce the evidence necessary to establish an accounts receivable and has not been able to obtain the voluntary repayment of the debt, the entries that established the accounts receivable **must** be reversed.

1. Evidence necessary to establish an account receivable includes, but is not limited to, a duplicate payment voucher, contract reconciliation document, Department of Justice litigation report, an unpaid U.S. payment voucher, or demand letter.

2. All erroneous, invalid, and unsubstantiated accounts receivable must be removed from the general ledger by reversing the existing entry if recorded in current year. See Chapter 14 if receivable was recorded in prior years. The reversing journal entry must be supported with all known evidence.

C. The evidence obtained from research may identify internal control failures and/or process weakness with the recognition of accounts receivable. Any internal control failures and/or process weaknesses must be addressed and corrected.

#### 030311. Canceled Appropriations

AROs must retain all outstanding receivables in the residual records even though an appropriation cancels. When the appropriation cancels, the collection of a receivable is recorded in Treasury miscellaneous receipt account 3200, "Collections of Receivables From Canceled

Accounts.” Appropriation cancellation does not relieve DoD of the responsibility to pursue collection or recovery.

030312. Nonappropriated Fund Instrumentalities Receivables

Receivables from NAFIs must be recorded as transactions from the public. They must be included in the quarterly TROR. With the exception of individual debt, NAFI delinquent debt will not be referred to the DMO or to Treasury for collection assistance. Refer to Volume 13, Chapter 3 for guidance on NAFI debts.

030313. Foreign Military Sales Receivables

Receivables from the [Foreign Military Sales \(FMS\) Trust Fund](#) (appropriation 11X8242) must be recorded as federal transactions. Other Security Assistance receivables, e.g., the Foreign Military Financing Program, Funds Appropriated to the President (011 1082), must be recorded and reported as intragovernmental receivables. The FMS delinquent accounts receivable will not be referred to the DMO or to Treasury for collection assistance. See Volume 16, Chapter 6 for guidance on FMS receivables.

030314. Non-FMS Foreign Government Receivables

The ARO will initiate initial billings for non-FMS foreign government accounts receivable. [See](#) Volume 16, Chapter 6 for [additional](#) information on non-FMS foreign government receivables.

030315. Retention of Documentation

AROs and DCOs will maintain documentation to support actions taken on each accounts receivable. This includes but is not limited to documents supporting:

- A. Establishing the receivable.
- B. Due process requirements.
- C. Research and resolution of abnormal or erroneous balances.
- D. Reversal of entries establishing the receivable.
- E. Termination, write-off and close-out of receivable.
- F. Bankruptcy.
- G. Installment payment plan.

## 030316. Undistributed Collection Balances

Undistributed collection balances placed in Treasury budget clearing (suspense) accounts F3875 and F3885 must be analyzed and reconciled monthly on the Financial Management System Form 224, "Statement of Transactions," to ensure all collected amounts are properly credited to the proper appropriation and applicable accounts receivable accounts. For any suspense account, items or transactions more than 60 days old, investigate and document the reason why the transaction cannot be reclassified to the correct appropriation. All differences must be cleared within 60 days, with the exception of those suspense accounts that have been identified by Treasury as exempt from the 60 day requirement. Refer to Chapter 2 for the required investigatory procedures related to budget clearing account balances.

## 0304 PUBLIC RECEIVABLES

## 030401. General

Receivables due from the public are DoD claims (or another entity within the Federal Government) against non-federal entities, to include public entities, domestic and foreign persons and organizations outside the U.S. Government. Public receivables are also created from the sales of goods or services when an advance payment is not first received or from refunds due to the DoD. See paragraph 030302 for more on an advance payment.

## 030402. Debt Collection Policies

The DoD policies for credit management and debt collection delineated in other volumes are:

A. Policies and procedures for collection of debt from individuals are in Volume 5, Chapter 28.

B. Policies and procedures for loss of funds cases are in Volume 5, Chapter 6. Accounts receivable that are the result of improper payments may require loss of funds investigations in accordance with Volume 5, Chapter 6 and Chapter 14 for improper payments.

C. Policies and procedures for salary offset to collect debts owed to the Department by military members or civilian employees are in Volume 7A, Chapter 50; Volume 7B, Chapter 28; and Volume 8, Chapter 8. Volumes 7A, 7B, and 8 also address collection of child support, alimony, or commercial debts from the pay of military members or civilian employees through garnishment or involuntary offset.

D. Policies and procedures for collection of commercial or contractor debt are in Volume 16, Chapter 5. Additionally, the FAR Subpart 32.6, prescribes policies and procedures for ascertaining and collecting contract debts, charging interest on the debts, deferring collections, and compromising and terminating certain debts.

E. Policies for collection of debts from foreign countries are available in Volume 16, Chapter 6.

030403. Receivables from the Sale of Goods and Services to the Public

A. Upon receipt of a collection voucher, the ARO must record the collection in the accounting system and include it in the monthly reports (Standard Forms 1218, 1219, 1220 and 224) to Treasury. If an abnormal balance results from recording the collection, the ARO must research and resolve the abnormal balance.

B. The ARO must refer delinquent accounts receivable for further collection action as required by debt collection policy in Volume 16, Chapter 3.

030404. Refunds Receivable

Refunds to appropriations represent amounts collected from outside sources for payments made in error, overpayments, or adjustments for previous amounts disbursed. They must be directly related to previously recorded expenditures and are reductions to those expenditures. There is not a separate account for refunds receivable in the USSGL. Refunds receivable are treated as accounts receivable.

A. Examples of refunds receivable include, but are not limited to the following:

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.
5. Amounts for advance payment of travel when the travel was canceled.
6. Amounts payable for “due U.S.” travel vouchers.
7. Amounts due from advance payments for contractual purposes.
8. Amounts due from employees on leave without pay for employee share of benefits (i.e., health insurance).

B. Non-DCO activities (e.g., contracting offices, Fund Holders) must notify the DCO that a debt exists. For contracting offices, guidance is contained in the FAR, Part 32, Contract Financing. DCOs must ensure the appropriate ARO is advised that a receivable is to be established

in the applicable accounting system. Such notification must be made in the same accounting cycle that the debt is recognized.

C. Upon receipt of a collection voucher, the ARO must ensure that the collection is recorded in the accounting system and reported to Treasury. See sections 0306 and 0307 for additional guidance on reporting requirements. If an abnormal balance results from recording the collection, then the ARO will research and resolve the abnormal balance.

D. The ARO or DCO must refer delinquent accounts receivable for further collection action as required in subparagraphs 030406.B and C.

E. OMB Circular A-11, addresses the proper budgetary accounting for refunds in Section 20.10. Since refunds are the repayments of excess payments, the amounts are directly related to previous obligations incurred and outlays made against the appropriation. Refunds received are deposited to the credit of the appropriation or fund account charged with the original obligations.

#### 030405. Collection Actions

Accounts receivable must 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, demand letter, 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, invoice, or demand letter must include a complete explanation of the debtor's rights and responsibilities, the basis of the indebtedness, the agency's intention to use various collection tools to collect the debt, additional charges (i.e., interest, penalties and administrative charges) that may be levied, and the name, work phone number, and address of an individual to contact within the agency to resolve the delinquency. [See Volume 16, Chapter 2 for additional information on debt notification requirements.](#)

B. AROs or DCOs will refer valid and legally enforceable delinquent individual out-of-service debt to the DCMO for further collection action. [See Volume 16, Chapter 3 for additional information.](#)

C. AROs or DCOs will refer valid and legally enforceable delinquent vendor debt of \$25 (\$100 if vendor does not have a Taxpayer Identification Number) or more, comprised of principal, interest, administrative charges, and penalty, to the DMO for further collection action no later than 60 days after the payment due date. Multiple debts to the same vendor totaling \$25 or \$100 or more must be consolidated and referred to the DMO as one debt package.

D. Uncollected public vendor debt of less than \$25 and individual out-of-service debt of less than \$25 must be collected or written off and closed-out within 1 year of delinquency in accordance with [Volume 16, Chapter 3](#). These debts [are](#) not referred to DMO or DCMO for further collection action unless mandated by public law.

E. The DCMO or DMO **must** refer valid and legally enforceable delinquent public receivables over 120 days old to Treasury for further collection action in accordance with the DCIA and the DATA Act.

1. Exceptions to the requirement to refer debt to Treasury include debts or claims that: (a) are in litigation or foreclosure; (b) will be disposed of under an asset sales program within one year after becoming eligible for sale, or later than one year if consistent with an asset sales program (See OMB Circular A-129, section IV); (c) have been referred to a private collection contractor for collection for a period of time approved by the Secretary of the Treasury; (d) will be collected under internal offset, if such offset is sufficient to collect the claim within three years after the date the debt or claim is first delinquent; (e) are foreign government debts; or (g) are NAFI debts.

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

3. Debts less than \$100,000 that are referred to Treasury and later returned due to failure to collect may be terminated for further collection action by DCMO or DMO upon coordination with the appropriate Fund Holder. Debts of \$100,000 to \$500,000 that are referred to Treasury and later returned due to failure to collect may be terminated with Treasury's approval. Debts of \$500,000 or more must be referred to the Department of Justice for approval to terminate collection action. See Volume 16, Chapter 2 for additional guidance regarding termination of collection action.

4. DCMO or the DMO will advise the ARO when the Treasury has returned a debt as uncollectible. The ARO will take appropriate actions to terminate collection action, write-off the receivable, and close-out the receivable, as applicable.

**\*030406. Establishment of Allowance for Loss on Accounts Receivable**

The ARO **must recognize and record its projected debt losses by setting up allowance accounts on public and intragovernmental accounts receivable in the general ledger. By accurately estimating the potential losses and putting that amount in its allowance accounts, a reporting entity is recognizing the accounts receivable at their net realizable value.**

A. SFFAS 1 **requires an allowance for estimated uncollectible receivable amounts** 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. TB 2020-1 **clarifies that the absence of explicit guidance distinguishing between intra-governmental and nonfederal/public entities receivables, both must be recognized in accordance with SFFAS 1 requirements.** The allowance for loss on accounts receivable must be re-estimated annually and when information indicates that the latest estimate is no longer correct.

B. Losses due to uncollectible receivables should be measured through a systematic methodology. The systematic methodology should be based on analysis of both individual receivables and groups of receivables as a whole. The allowance amount calculated for

individual receivables and groups of receivables will be added together and will be the total amount for allowance for loss on accounts receivable.

1. Group of Receivables. To determine the loss allowance for receivables less than \$100,000, separate the receivables into groups having similar risk characteristics. Receivables may be grouped by each delinquent age category greater than 60 days old, by category of debtor, by reason that gave rise to the receivable, or by geographic regions. The methodology used to determine the percentages will be based on the history of bad debt expense from the last three years. The determined percentages will be applied to the total amount in each category. The OUSD(C) **must** approve exceptions when abnormal circumstance skews the three-year average.

2. Individual Receivables. Each receivable equal to or greater than \$100,000 must be analyzed to determine the loss allowance. Loss estimation for each receivable will be based on: (a) the debtor's ability to pay, (b) the debtor's payment record and willingness to pay, and (c) the probable recovery of amounts from secondary sources, including liens, garnishments, cross collections and other applicable collection tools. DoD Components with a low number of receivables or a large number of small dollar receivables may lower the threshold. However, consistent methodology must be used from year to year.

C. In those instances when one DoD Component sub-allots funds to another DoD Component, the office executing the funds will be responsible for establishing the allowance for loss on accounts receivable. The write-off of receivables must be processed through the allowance for loss on accounts receivable account.

#### 030407. Write-off and Close-Out of Public Accounts Receivable

General provisions for write-off and close-out of public accounts receivable are established in OMB Circular A-129. Write-off is mandatory for public delinquent debt that has not been collected within two years of delinquency unless documented and justified to OMB in consultation with Treasury.

A. Write-off. The DCO must provide the ARO with documentation to support write-off of the receivable (regardless of amount) and also must provide the history of all research and debt collection efforts. When received, the ARO must immediately provide the documentation to the Fund Holder for concurrence for write-off and notify the DCO that the request for concurrence was sent. If the Fund Holder concurs, the ARO will write-off the debt. If the Fund Holder non-concurs or does not respond, then the following applies:

1. The Fund Holder must respond within 30 days of request for a write-off. If a response is not received within 30 days, the ARO will write-off the debt.

2. If non-concurring, the Fund Holder must provide the ARO with additional written evidence to enable the collection of the debt. The ARO will only make one additional attempt to collect (i.e., issue one additional demand letter).

3. If payment is not received after following outlined procedures, the ARO will write-off the debt. The ARO will notify the Fund Holder and the DCO that the debt was written off.

B. Currently Not Collectible. Once the debt is written off, it must either be classified as CNC or closed-out. Debts in CNC status are reported on the TROR and are still eligible for the Treasury's cross-servicing and offset programs.

1. Public debt will be classified as CNC only if the following criteria are met:

a. The vendor debt or the individual out-of-service debt is \$25 or more.

b. All debt collection actions referenced in this chapter have been pursued.

c. It is cost effective to continue collection efforts.

2. CNC debt must be continuously reviewed and, as required, reclassified and closed-out.

3. When Treasury is able to collect on a receivable categorized as CNC and remits funds to DoD, the ARO will reverse the write-off, reestablish the receivable, and record the collection against the receivable.

C. Close-Out of Indebtedness. Debt write-off and close-out may occur at the same time, or close-out may follow write-off by a substantial period of time. When it has been determined that the debt is not collectible (e.g., returned from Treasury uncollected or further collection action would not be economically feasible), the DCO must notify the ARO. The ARO must notify the Fund Holder and request concurrence to close-out the debt. If the Fund Holder non-concurs or does not reply, the following applies.

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

2. If non-concurring, the Fund Holder must provide the ARO with additional written evidence to enable the collection of the debt. The ARO will only make one additional attempt to collect (i.e., issue one additional demand letter).

3. If payment is not received after following procedures in subparagraphs 030407.C.1 and 2, then the debt must be closed-out and the Fund Holder notified.

4. Once a debt has been closed-out, it cannot be reactivated, and the Federal Government cannot take any further administrative or legal action to collect the debt. The Federal Government, however, can accept voluntary repayment of the debt at any time. Once the

Fund Holder has decided to close-out the debt, the ARO has primary responsibility for close-out actions and 1099C IRS reporting. Close-out for foreign government debts will be accomplished in accordance with Volume 6A, Chapter 12.

D. Tax Reporting. All closed-out uncollected individual, public vendor, or contractor debt will be forwarded to the DFAS-Columbus, DFAS Tax Office, Enterprise Solutions and Standards, Finance Mission Area, Attn: DFAS-JJFD/CO, P.O. Box 182317, Columbus, Ohio 43218-2317 for tracking, consolidation, and reporting. Data elements required by the Tax Office for consolidating and reporting the closed debts include:

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

#### 0305 INTRAGOVERNMENTAL RECEIVABLES

##### 030501. Receivables Due From Federal Entities

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

##### 030502. Sales of Goods and Services

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

B. In contrast with orders from the public/non-federal entities without an advance, under the Economy Act DoD organizations with reimbursable authority may recognize a budgetary resource upon acceptance of funded reimbursable orders from DoD and other federal agencies, because customer agencies obligate their own budgetary resources (e.g., appropriations) at the time of order placement and acceptance. DoD organizations may incur obligations to fill such orders without requiring the customer to provide an advance payment and without burdening their own budgetary resources.

030503. DoD Performing Entity Responsibilities

The performing entity must ensure that the cost and a liability (Delivered Orders - Unpaid) incurred for completed performance are promptly recorded as revenue and receivable (Reimbursements and Other Income Earned - Receivable) and must ensure the earned revenue amount is promptly charged and collected from the ordering entity. Refer to Chapter 9 for a description of how titles are passed on a contractual agreement, and when the revenue and receivable should be recorded. Ensure that transactions are recorded on a timely basis, in order for Treasury to perform intragovernmental eliminations. The performing entity will:

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

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

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

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

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

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

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

H. Obtain the billing transaction history from the ARO. Billing transaction histories must 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 must be resolved by adjusting the accounts receivable to the appropriate amounts.

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

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

K. Research unmatched disbursements and negative unliquidated obligations as required by Volume 3, Chapter 11.

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

#### 030504. DoD Ordering Activity Responsibilities

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

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

C. If the bill is supported, but the order or obligation is not recorded in accounting, then record the order or obligation immediately. Determine why the order or obligation was not recorded. The evidence obtained from research may identify internal control failures and/or process weaknesses. Any internal control failures and/or process weaknesses must be addressed and corrected. Evidence from the research should be documented and maintained by the organization.

## 030505. Management of Collection Actions

[Aging Accounts Receivable qualify for the collection actions.](#) Aging (delinquency date) starts one day after the due date.

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

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

C. For non-interfund intragovernmental (within DoD) receivables, reimbursement will be via Defense Cash Accountability System or Intra-Government Payment and Collection (IPAC). The buyer cannot chargeback or reject the charge (other than IPAC) unless authorized by the dispute process as outlined in subparagraph 030506.A. The buyer must perform an IPAC reject within 30 days. The only valid reasons for reject/adjustment are:

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

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

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

2. Follow the intragovernmental (outside DoD) dispute process as outlined in subparagraph 030506.B if the IPAC transaction is rejected.

E. Rejected charges must require the reestablishment of a receivable and adjustments to an appropriation's Fund Balance with Treasury.

F. USSGL accounting transactions for reimbursable billings and collections, and accounts receivable corrections and adjustments are detailed in the SFIS library.

## 030506. Non-Interfund Dispute Process

A. Intragovernmental Debt Within the DoD. The performer's ARO is responsible for managing intragovernmental debt. OUSD(C) oversees a DoD dispute resolution process to resolve balance discrepancies between DoD reporting entities. See Volume 6B, Chapter 13, paragraph 130504 for additional information on eliminations.

1. Intragovernmental debt cannot be referred to a debt collection activity.

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

3. For receivables of \$2,500 or less, the buyer may accept the charge without dispute. However, these charges may be disputed as long as the process can be justified as cost effective.

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

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

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

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

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

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

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

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

5. If the resolution to the dispute is that the buyer does not have to pay the bill, then the seller must make an adjustment to revenue (earnings) to liquidate the debt if the revision reflects current fiscal year activity. The seller will decrease revenue and increase direct obligations and expenses. For material receivables established in a prior year, revenue must not be decreased, rather a prior period adjustment must be used to properly account for the adjustment. See Volume 6B, Chapter 6. For immaterial receivables established in the prior year, reduce current year revenues.

B. Intragovernmental Debt Outside DoD. Disputes between government agencies (e.g., between the DoD and the General Services Administration) will be resolved in accordance with 1-TFM-2-4700.

1. Dispute resolution will involve the program offices, the accounting offices, the contracting officer, and the agency's Chief Financial Officer (CFO), as appropriate. Disputes will be documented in writing with clear reasons for the dispute. A memorandum of agreement will be signed by the CFOs of each department and agency to acknowledge that department's or agency's active participation in the dispute resolution process.

2. Trading Partners will not chargeback or reject transactions that comply with 1-TFM-2-4700. Further, new transactions will not be created to circumvent the guidance contained therein. Transactions that comply with 1-TFM-2-4700, but are disputed must be resolved using the guidance in subparagraphs 030506.B.4 and 030506.B.5.

3. Disputes are of two types:

a. Accounting treatment (e.g., advances and non-expenditure transfers).

b. Contractual (e.g., payment, collection, and interagency agreement).

4. If intragovernmental differences result from differing accounting treatment, then the trading partners have 60 calendar days from the date that the difference is identified in Treasury Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) or the date that a charge is disputed, whichever comes first, to agree on the treatment of an accounting entry. If agreement cannot be reached within 60 calendar days, then both trading partners' CFOs must request that a decision be rendered by the Treasury Bureau of Fiscal Service (BFS). After BFS has rendered a decision, the ARO must adjust their financial records as needed within five calendar days **or the end of the quarter, whichever comes first**.

5. If intragovernmental differences result from contractual disputes, then the trading partners have 60 calendar days from the date that the difference is identified or the date that a charge is disputed, whichever comes first, to agree on the contractual terms. If agreement cannot be reached, then both trading partners' CFOs must request that a binding decision be rendered by the CFOs Council's Committee established for this purpose. The Committee must render a decision within 90 calendar days of request. The trading partners will then coordinate to ensure any necessary IPAC transaction needed to effect the decision is processed as applicable.

a. Missing indicative data on an intragovernmental transaction is cause for a contractual dispute. Examples of indicative data include:

- (1) Order number.
- (2) Treasury Account Symbol (TAS) for both trading partners. If multiple TAS are included on one order, specify amounts for each TAS, as appropriate.
- (3) Business Event Type Code for both trading partners.
- (4) Amount to accrue, advance, or disburse.
- (5) Business Partner Network number for both trading partners.

b. The buyer may establish a monetary threshold before asking for contractual decisions; the threshold must not exceed \$100,000 per order. If an amount is under the buyer's threshold, and the buyer elects not to pursue a dispute, then the buyer must pay the amount.

C. NAFI Billing, Collection and Dispute Processes. DoDI 1015.15, "Establishment, Management, and Control of Nonappropriated Fund Instrumentalities and Financial Management of Supporting Resources," requires certain categories of NAFIs to reimburse appropriated funds (APF) for the provision of goods and services to the NAFI.

1. Reimbursement Agreements. The applicable APF office will prepare a reimbursement agreement with the NAFI. This could be in the form of a Memorandum of Understanding or Inter-Service Support Agreement. The agreement will be signed by the APF and NAFI authorized representative. At a minimum, this agreement must have:

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

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

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

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

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

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

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

3. Budgetary Resources. Military Departments may use their own appropriated fund budgetary resources to perform a reimbursable order for a NAFI without an advance. However, they may not recognize budgetary resources for the order until the account receivable is paid.

## 0306 REPORTING RECEIVABLES DUE FROM THE PUBLIC

The DoD Components are required to submit a quarterly TROR. The ARO, in conjunction with the DoD Component, must report public receivables in accordance with TROR instructions located on the Treasury website.

## 0307 REPORTING RECEIVABLES IN DOD FINANCIAL STATEMENTS

### 030701. Reported Accounts Receivable Quarterly

Accounts receivable are reported on the quarterly financial statements. Instructions for the reporting of receivables in the quarterly financial statements are contained in Volume 6B, Chapters 4 and 10. Receivable amounts are depicted in the Balance Sheet and are disclosed in the Notes to the Financial Statements. Public accounts receivable balances reported on the financial statements must be reconciled with the GTAS accounts receivable from the public balances (attribute non-Federal).

## 030702. Gross Accounts Receivable Balances

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

## 030703. Eliminating Intragovernmental Consolidated Quarterly Financial Statements

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

## 0308 CREDITING AND ACCOUNTING FOR DISPUTED COLLECTIONS UNDER THE CONTRACT DISPUTES ACT OF 1978

## 030801. Crediting Collections

A. When an amount, including interest and administrative fees, is collected from a contractor and the contractor disputes the debt or indicates that they will dispute the debt, the collected amount will not be accounted for as settlement of the debt. Interest, penalties, and fees will cease to accrue and the disputed amounts will be credited to Treasury deposit account pending disposition of the contractor's dispute.

B. Collections normally are received by the disbursing or payment certifying office making or authorizing payments for the contract in dispute, but may be received by others, including ARO, supporting accounting offices, DMO, contracting officers, contract administration officers, and legal offices. Upon making a collection in a disputed situation, the collection will be documented as a disputed contract collection.

1. If the contract was paid by DFAS-Columbus or if the contract was submitted to the DMO for debt collection assistance, then deposit the collection to Disbursing Station Symbol Number (DSSN) 6551. Offices, other than the DMO, making the collection and deposit of a disputed collection to DSSN 6551 must forward to the DMO all documentation related to the collection. If the office receiving the collection does not make deposits, then the office receiving the collection will promptly forward the contractor's check and related documentation to DSSN 6551. The collection voucher prepared for a disputed collection will serve as the basis for crediting the amount to Treasury deposit account X6501, Small Escrow Amounts, in a special subhead or limit with departmental prefix 097. If the disputed collection is related to a contractual obligation in an appropriation that has closed in accordance with 31 U.S.C. § 1552(a) or 31 U.S.C. § 1555, then annotate the collection as a "closed appropriation collection" and credit the collection to deposit fund account X6501 in a different subhead or limit. DSSN 6551 must maintain control of collections credited to this account and will prepare all vouchers for disbursement or transfer from the deposit account.

2. If a disputed collection is received on a contract that was not paid by DSSN 6551 and the debt was not submitted to the DMO for debt collection assistance, then deposit the collected amount to the DSSN which made the payment on the contract. The collection must be credited to deposit account X6501 with departmental prefix 017, 021, 057, 096, or 097, as appropriate.

3. The DMO and the responsible disbursing officer will notify the contracting officer, the contract administration officer, if applicable, and the Service or agency contract finance officer, and/or other authority for contract debt matters of any actions affecting the disputed collections. Conversely, these officers or offices must inform the responsible disbursing officer and the DMO of any actions taken that affect the disputed collection.

#### 030802. Accounting for Collections in Dispute

A. In accordance with 10 U.S.C. § 2410(m) and paragraph 030801, disputed collections received and credited **must** be separately accounted for and remain available, regardless of the closing of an appropriation or fund account, for payment of:

1. Any settlement of the claim by the parties.
2. Any judgment rendered in the contractor's favor on an appeal of the decision on the claim to the Armed Services Board of Contract Appeals (ASBCA).
3. Any judgment rendered in the contractor's favor in an action on that claim in a court of the U.S.

B. Availability of the disputed collection expires 90 days after the expiration of the period for bringing an action on that claim in the U.S. Court of Federal Claims under section 41 U.S.C. § 7104(a), if within that 90 day period, no appeal on the claim is commenced at the ASBCA and no action on the claim is commenced in a court of the U.S.

C. If not expiring under paragraph 030802.B, then availability of the disputed collected amounts expires:

1. In the case of a settlement of a claim, 90 days after the date of the settlement.
2. In the case of a judgment rendered on the claim in an appeal to the ASBCA or an action in a court of the U.S, 90 days after the date on which the judgment becomes final and rendered not appealable.

D. While an amount is being separately accounted for and available in accordance with paragraph 030801, the amount may be obligated or expended in whole or in part only for the purpose described in subparagraph 030802.A.

E. When all or part of a disputed collection is determined to be repayable to the contractor, whether by settlement agreement or judgment, including payment or adjustment of interest or fees, that amount must be promptly disbursed to the contractor. Timely reimbursement must also be made to the Treasury Judgment Fund, if applicable. The foregoing disbursed amounts must be charged to the deposit account X6501. Any interest accruing since the collection and ordered to be paid in accordance with the settlement or judgment must be charged to the applicable, currently available, appropriation account.

F. Upon expiration of the period of availability of all or part of an amount credited to the deposit account in accordance with paragraph 030801, amounts not obligated and expended, must be withdrawn and credited as follows:

1. If an amount was credited to the deposit account for an appropriation or fund account that closed for reasons other than those described under 31 U.S.C. § 1552(a) or 31 U.S.C. § 1555, then the principal amount collected must be properly credited to that appropriation or fund account and an adjustment made of the amounts of the contract(s) for which the disputed collection arose. Any amounts for interest and fees must be credited to the appropriate Treasury Miscellaneous Receipts accounts.

2. Amounts credited to the deposit account for an appropriation or fund account that was canceled, or subsequently canceled after the collection in accordance with 31 U.S.C. § 1552(a) or 31 U.S.C. § 1555, must be withdrawn and credited to the appropriate Treasury Miscellaneous Receipts accounts. The principal amount must be credited to “Collection of Receivables from Canceled Accounts”, Treasury General Fund Receipt Account 3200 (and the memorandum account adjusted, as appropriate). Interest and fees must be credited to the “Miscellaneous Receipts-Defense” account. In the records maintained for the closed appropriation account and unclosed contracts associated with the collection, the unobligated and obligated balances must be adjusted to reflect the results of settlement or judgment, including any amount retained and adjusted for the amounts of the contract or contracts for which the disputed collection arose.

\*Figure 3-1. Aged Delinquent Accounts Receivable Groups

| AGED DELINQUENT ACCOUNTS RECEIVABLE GROUPS                                                                                                                                                                                                                                                                                                                                                                  |                   |             |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------|
| CATEGORY                                                                                                                                                                                                                                                                                                                                                                                                    | INTRAGOVERNMENTAL | NON-FEDERAL |
| <b>Non-delinquent</b>                                                                                                                                                                                                                                                                                                                                                                                       |                   |             |
| Current                                                                                                                                                                                                                                                                                                                                                                                                     |                   |             |
| Noncurrent                                                                                                                                                                                                                                                                                                                                                                                                  |                   |             |
| <b>Delinquent</b>                                                                                                                                                                                                                                                                                                                                                                                           |                   |             |
| 1 to 30 days                                                                                                                                                                                                                                                                                                                                                                                                |                   |             |
| 31 to 60 days                                                                                                                                                                                                                                                                                                                                                                                               |                   |             |
| 61 to 90 days                                                                                                                                                                                                                                                                                                                                                                                               |                   |             |
| 91 to 120 days                                                                                                                                                                                                                                                                                                                                                                                              |                   |             |
| 121 to 150 days                                                                                                                                                                                                                                                                                                                                                                                             |                   |             |
| 151 to 180 days                                                                                                                                                                                                                                                                                                                                                                                             |                   |             |
| 181 days to 1 year                                                                                                                                                                                                                                                                                                                                                                                          |                   |             |
| Greater than 1 year and less than or equal to 2 years                                                                                                                                                                                                                                                                                                                                                       |                   |             |
| Greater than 2 years and less than or equal to 6 years                                                                                                                                                                                                                                                                                                                                                      |                   |             |
| Greater than 6 years and less than or equal to 10 years                                                                                                                                                                                                                                                                                                                                                     |                   |             |
| Greater than 10 years                                                                                                                                                                                                                                                                                                                                                                                       |                   |             |
| <b>Subtotal</b>                                                                                                                                                                                                                                                                                                                                                                                             |                   |             |
| Less Supported Undistributed Collections                                                                                                                                                                                                                                                                                                                                                                    |                   |             |
| Less Eliminations                                                                                                                                                                                                                                                                                                                                                                                           |                   |             |
| Less Other                                                                                                                                                                                                                                                                                                                                                                                                  |                   |             |
| <b>Total</b>                                                                                                                                                                                                                                                                                                                                                                                                |                   |             |
| <p>Note: The total of the columns must equal the gross amounts reported in the Accounts Receivable schedule in Note 5. This will require that the receivables due internally within each Component and supported undistributed collections be eliminated from this schedule. Infrequently, other items may need to be deducted from the subtotal. These items require disclosure in the note narrative.</p> |                   |             |