Reclamation Manual

Directives and Standards

Subject: Minimum Bill Amount and Delinquent Accounts Receivable

Purpose: Establishes a minimum amount below which the Bureau of Reclamation will not make collection efforts and establishes Reclamation's requirements, procedures, and responsibilities for the monitoring and write off of delinquent accounts receivable. The benefit of this Directive and Standard (D&S) is increased cost effectiveness, efficiency in debt collections, and compliance with regulations.

Authority: Debt Collection Act of 1982; Debt Collection Improvement Act of 1996; Digital Accountability and Transparency Act of 2014; 31 CFR part 285; 31 CFR parts 900-904; Office of Management and Budget (OMB) Circular A-129, *Managing Federal Credit Programs*; Department of the Treasury (Treasury), *Managing Federal Receivables*; Treasury, *Treasury Financial Manual* Chapter 4000; Department of the Interior, *Credit and Debt Management Handbook*[1]; Department, *Accounting Handbook*[2]; and Department, *Cash Management Handbook*[3]

Approving Official: Director, Mission Support Organization (MSO)

Contact: Finance Policy and Programs Division; Policy, Compliance & Audit (84-27410)

1. Introduction.

A. Reclamation analyzes the cost of collections annually to determine when it is no longer cost effective to continue collection efforts. This analysis determines the minimum amount for which Reclamation will pursue collection.

B. Reclamation actively pursues collection of its accounts receivable above the minimum amount. When a nontax debt becomes delinquent 120 days, Reclamation refers the account to Treasury, Bureau of Fiscal Service (Fiscal Service) to service, collect, compromise, suspend, or terminate collection action on the debt. When Fiscal Service or Reclamation determines the debt is uncollectible, Reclamation takes action to write off and close out the debt.

[1] See Department of the Interior, Financial Policy and Operations Division (FPO) SharePoint site.
[2] Ibid.
[3] Ibid.

2. Applicability.

This D&S applies to all Reclamation personnel responsible for issuing bills for collection and the monitoring and write off of delinquent accounts receivable.

3. Minimum Bill Amount.

A. The Accounting Service Division, Accounts Receivable and Reimbursable Accounting (ARRA) is responsible for calculating the minimum bill amount annually, based on a calendar year; updating the Reclamation Finance Intranet site[4] with documentation supporting the amount; and notifying the regional finance offices of availability for review. Upon notification by ARRA, the regional finance offices are responsible for reviewing the updated information and notifying ARRA of any comments regarding the calculation.

B. A bill for collection is not necessary for debts equal to, or less than, the minimum bill amount. There are, however, exceptions to this rule:

(1) Reclamation issues a bill on any debt of a current Reclamation employee, including statutory or regulatory required fees (such as fines) regardless of the amount.

(2) Reclamation issues a bill if the total combined debt for a debtor is less than the minimum bill amount, but the principal amount is expected to exceed the minimum bill amount during the next 12 months. The office issuing the bill (ARRA or the regional finance office) is responsible for making this determination.

(3) Reclamation may issue a bill for collection less than the minimum bill amount to set an example or precedent on a particular issue, to comply with contractual agreements, or to carry out decisions by a board of survey on losses or damages to Federal government property.

4. Documentation.

When Reclamation does not issue a bill for collection because the debt falls below the minimum bill amount, the supporting documentation related to the debt must reference the minimum bill amount as the justification for not issuing the bill. Reclamation personnel responsible for issuing bills for collection retain the supporting documentation for a period of 3 years.

[4] See Reclamation Intranet site < Additional Resources/Quick List < Finance & Accounting < Accounts Receivable < Billing and Collections (Accounts Receivable).

5. Notification of Delinquent Accounts Receivable.

The regional finance office is responsible for monitoring delinquent bills for collection. Reclamation classifies a bill for collection as delinquent if the debtor has not paid or resolved the debt by the due date. Generally, the bill becomes delinquent 31 days after issuance of the bill for collection. The Federal Claims Collection Standards, as established in 31 CFR Parts 285 and 900-904, provides guidance on collecting and writing off delinquent debt and states the various collection tools available to Reclamation when the normal billing process fails to yield results. Before using these collection tools, however, Reclamation must provide due process notification, which includes notification of the debtor's rights and notice of intent on the part of Reclamation to refer the delinquent debt to Fiscal Service for administrative offset.

A. Dunning Notices.

(1) The Financial Business Management System (FBMS) generates the dunning notices for delinquent accounts on approximately the 8th and the 22nd of each month. ARRA downloads the dunning notices from FBMS, posts them to the designated site, and notifies the regions.

(2) On the first business day following notification, the regional finance office reviews the designated site, downloads valid dunning notices, and mails them to the debtor.

B. Notice of Intent to Offset Letter.

The Notice of Intent to Offset letter notifies the debtor that Reclamation will refer the delinquent debt to Fiscal Service. The regional finance office sends the Notice of Intent to Offset letter no later than 80 days of delinquency, so that ARRA receives the request for debt referral package by 110 days of delinquency, and the debt is ready for referral by 120 days of delinquency. See Appendix A for templates of the Notice of Intent to Offset letters as of the date of this D&S. Contact ARRA for updated templates in fillable form.

6. Application of Payment Received on Delinquent Debt.

A. When Reclamation receives a payment on a delinquent bill prior to submission to Fiscal Service, it applies the payment first to outstanding penalties, second to administrative charges, third to interest, and last to principal. This means that if an unpaid balance remains on the bill, and if the regional finance office that issued the bill chooses not to pursue additional collection action, Reclamation writes the balance off as principal. There are two exceptions to this rule:

(1) If Reclamation received the payment within 30 days of the due date, waive any accrued interest or administrative fees, meaning apply the payment to principal in full. Reverse accrued fees prior to applying payment to the principal.

(2) If Reclamation did not receive the payment within 30 days of the due date, but the amount of accrued interest, penalties, and administrative charges (IPA) are below Reclamation's minimum bill amount threshold, waive and reverse the IPA prior to applying the payment to the principal.

B. If Reclamation receives a payment on a delinquent bill while Fiscal Service is cross servicing the debt, Reclamation processes the payment and notifies Fiscal Service of the payment information. Fiscal Service will charge their processing fees to Reclamation through the intra-governmental payment and collection system.

7. Payment Plan Agreement, Reclamation Form[5] (RF) 7-2686.

A. A debtor who is not able to pay the full amount of the bill by the due date may request to establish a payment plan agreement to pay the debt on an installment basis. Appendix B provides a copy of RF 7-2686 as of the publication of this D&S. The California Great Basin Region uses a similar form with all the same information except they do not allow the option to mail in a check. The regional finance office, which originated the bill, must use its discretion in determining whether it is in the best interest of the Federal government to enter into such an agreement. They must consider whether the dollar amount of each installment payment is sufficient to justify additional administrative cost of processing multiple collections on the same bill. The regional finance office is responsible for negotiating payment plan agreement terms with a debtor, submitting a copy of the agreement to ARRA, and monitoring the compliance of an established payment plan agreement. They must send a copy of the payment plan agreement to bor-sha-accountsreceivable@usbr.gov and attach the plan to the original bill in FBMS. If the debtor and region authorized a pre-authorized debit, ARRA sets up the automated payment plan agreements and ensures proper coding on the Treasury Report on Receivables (TROR) based on the terms of the agreement.

B. The regional finance office must clearly explain to the debtor that:

(1) IPA will continue to accrue on the bill until it is paid in full unless waived as provided in 31 CFR Part 901.9 (g).

(2) The debtor must repay the full amount of the debt (including IPA) within 3 years.

(3) Reclamation will promptly refer the debt to Fiscal Service if the debtor does not make the agreed upon monthly payments.

[5]Available at Reclamation Intranet < Employee Resources < Forms (Reclamation) < 7-Forms.

8. Bankruptcies.

When Reclamation receives a bankruptcy notification, swift processing by the regional finance office is necessary. If the regional finance office receives notification with sufficient time for submission, they must prepare and submit the paperwork requested by the court, within the court established deadline, to enable Reclamation to be listed as a creditor with the court and to receive any disbursement of funds.

9. Monitoring Delinquent Accounts Receivable.

A. Accounts Receivable Aging Report.

(1) The monthly accounts receivable aging report (debt review) is available in FBMS (Days Overdue Analysis (Net Due Date) [WARM01_PG_Q001]) and shows outstanding balances by various aging categories. The report advises the regional finance offices of past due and outstanding account receivables and provides management with a tool for monitoring delinquent debt. The regional finance office is responsible for reviewing the report.

(2) In the last month of the TROR quarterly reporting period, ARRA retrieves the accounts receivable aging report from FBMS and notifies the regions when they post the report. The regional finance office personnel review and provide details on the status of each overdue debt, which ARRA then uses in preparation of the TROR for Treasury. Debts coded FFA (Forbearance/Former Appeal) must contain sufficient detail explaining the steps the region is taking to resolve the FFA and the reason why they are not referring the debt to Treasury.

B. TROR.

Generally, TRORs are due to Fiscal Service by the end of the month following the close of each quarter. The ARRA Branch Manager or Section Manager is responsible for reviewing and approving the quarterly TROR. ARRA submits the TROR to Treasury through the Debt Management Information System.

(1) TROR reason codes indicate the status of the debt throughout the debt lifecycle and identify how Reclamation categorized the debt within the accounting system. Reclamation uses these codes to track delinquent debts due from the public by category, as well as for debt management and analysis purposes.

(2) ARRA reviews the TROR reason codes. They manually enter changes in the reason code that occur through business events into the accounting system. Both ARRA and the regional finance office may apply reason code FFA.

(3) ARRA requests the regional finance office to validate accounts with a protected TROR reason code. The regional finance office reviews the accounts receivable

aging report for validity of accounts with a protected status TROR reason code at least quarterly. Protected status TROR reason code designations are: FFA, EMP (Employee), REN (Non Delinquent (Current) Rescheduled Debt), BKR (Bankruptcy), RED (Delinquent Rescheduled Debt), and DOJ (Referred to Department of Justice (DOJ)). See the Reclamation Intranet site[6] for a list of TROR reason codes.

(4) When the regional finance office receives knowledge of a change in debtor circumstances, such as a bankruptcy notice or a request for waiver, they notify ARRA to update the appropriate TROR reason code and provide ARRA with documentation supporting the change.

C. Annual TROR and Debt Collections Activities Certification and Verification.

The Department sends out a request for certification annually. ARRA gathers the information and obtains the Chief Financial Officer's (CFO), or their designee's, certification of the accuracy of Reclamation's debt information reported on the TROR. The Department submits a consolidated certification to Fiscal Service.

10. Referral to Fiscal Service, RF 7-2685[7].

A. When Reclamation refers a bill for collection to Fiscal Service for administrative offset and cross servicing, the regional finance office is responsible for preparing the request for debt referral package as proof of the outstanding delinquent debt. They apply payments received prior to determining the amount. ARRA must receive the package by 110 days of delinquency in order to complete the request for administrative offset to Fiscal Service by 120 days of delinquency. The package must contain the following:

(1) copies of the original bill, dunning notice, letter of intent to offset, and any other pertinent information regarding the bill or attempts at collection;

(2) Request to Refer Debt to Fiscal Service for Collection/Offset, RF 7-2685 (Appendix C provides a copy of RF 7-2685 as of the publication of this D&S); and

(3) Certification - Debt Collection form, RF 7-2683[8], signed by the regional finance officer (Appendix D provides a copy of the RF 7-2683 as of the publication of this D&S).

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[6]Reclamation Intranet < Additional Resources/Quick List < Finance & Accounting < Accounts Receivable < Crosswalk TROR RC.
[7]Available at Reclamation Intranet < Employee Resources < Forms (Reclamation) < 7-Forms.
[8]Ibid.

B. Exceptions for referring the debt to Treasury are debts: in foreclosure or bankruptcy, with foreign governments, with Federal agencies, in forbearance (debts with an arrangement to pay off the past due balance at a future date), in appeal, or at the DOJ. Additional exceptions are debts where the debtor is deceased, debts not legally enforceable, and debt with an up-to-date payment plan.

C. Prior to submitting a request for debt referral package to Fiscal Service, ARRA verifies the debtor status through a public record database and notifies the regional finance office if a debtor filed bankruptcy or is deceased. ARRA reviews the request for debt referral packages and refers the debt to Fiscal Service.

D. Debt referred to Fiscal Service for administrative offset and cross servicing remains on Reclamation's books until the regional finance office requests a write off. Reclamation stops charging IPA but Fiscal Service starts charging their administrative costs along with interest and penalties. Reclamation records the charges accrued by Fiscal Service into FBMS when the debt is collected.

E. ARRA notifies the regional finance office when Fiscal Service classifies the debt as uncollectible.

11. Referrals to DOJ.

A. Typically, Reclamation does not work directly with DOJ in referring delinquent debt. After exhausting all other options in attempting to collect a debt referred for cross servicing, Fiscal Service may recommend Reclamation refer the debt to DOJ for "enforced collection." DOJ receives a judgment against the debtor and pursues all available post judgment remedies (wage garnishment, liens filed against property, etc.). If Reclamation concurs with Fiscal Service's recommendation, Fiscal Service processes the necessary paperwork to refer the debt to DOJ. Fiscal Service works with DOJ to monitor the progress of the case.

B. In some instances, a regional finance office, in consultation with its regional solicitor, may choose to work directly with DOJ in the referral of a delinquent debt. The request for debt referral package, which the regional finance office submits to DOJ, consists of:

(1) Claims Collection Litigation Report (obtain a copy from ARRA);

(2) Certification – Debt Collection form, RF 7-2683;

(3) copies of demand letters sent to the debtors;

(4) a copy of the contract or agreement on which the debtor defaulted, if applicable; and

(5) a letter from the solicitor authorizing referral to DOJ.

C. Debt referred to DOJ for collection is typically $2,500 or more (exclusive of IPA), though a regional office may choose to refer a debt less than $2,500 if deemed necessary.

D. When the regional finance office works with its regional solicitor to refer debt to DOJ, it is not necessary to send the request for debt referral package through ARRA.

12. Write Off of Delinquent Accounts Receivable.

Write off of debt referred to Fiscal Service is mandatory for delinquent debt older than 2 years unless documented and justified to OMB in consultation with Fiscal Service. (See Paragraph 13 for bills requiring special treatment.) OMB typically grants an exception to the 2 year write off requirement if a debt is in the negotiation process of a compromise settlement or the debt is included in a bankruptcy that is open with Reclamation notated as a creditor. A debt in the appeal process is not technically considered to be delinquent and is exempt from the 2 year write off requirement.

13. Write Offs Requiring Special Treatment.

Most of Reclamation's uncollectible bills are written off in accordance with the procedures outlined in Paragraph 12; however, certain types of bills require special treatment.

A. Do not directly write off a reimbursable or revolving fund bill. Instead, modify these types of bills to move the principal balance to the program's appropriation as an appropriation refund. The appropriation must incur the expense, so Reclamation redistributes the expenses from the reimbursable or revolving fund before it can write the bill off.

B. Other types of bills which require special treatment are those issued in advance such as boat dock permits and cabin site leases. If these types of bills are uncollectible, cancel the bill rather than writing it off. Reclamation will discontinue the contract and/or not provide the service if the bill is not paid. (However, not all bills issued in advance are cancelled rather than written off. Some advance billings, such as those issued for operation and maintenance, are for costs Reclamation incurs regardless of whether a bill is paid. It is not appropriate to cancel these bills if they are uncollectible. Instead write these off.)

C. If Reclamation issued a bill in error, cancel it rather than writing it off.

14. Write Off Procedures.

A. When Reclamation determines to write off a debt, the regional finance office or ARRA prepares the Request for Write Off or Close Out of Bill for Collection, RF 7-2684[9].

[9] Available at Reclamation Intranet < Employee Resources < Forms (Reclamation) < 7-Forms.

Appendix E provides a copy of RF 7-2684 as of the publication of this D&S. The regional finance officer and the finance manager review and sign the form.

B. Submit all requests for write off to ARRA for processing. ARRA reviews the write off requests and supporting documentation related to the debt (e.g., copy of the bill, dunning notice, and any other documents reflecting the efforts made to collect the debt). ARRA enters all properly authorized write off transactions into FBMS.

C. After the debt is written off, Reclamation must either classify the debt as currently not collectible (CNC), signifying Treasury continues collection activities; currently not collectible other (CNO), signifying Reclamation continues collection activities; or close-out the debt, signifying collection activities cease. CNO must contain sufficient detail explaining the steps the region is taking to collect the debt, including the reason why they are not referring the debt to Treasury, and the timeframe for resolution.

(1) In many cases, an office submits a write off request to ARRA at the same time it submits a Fiscal Service referral package. When this occurs, ARRA submits the debt to Fiscal Service in one accounting period (while it is still showing as a receivable on the aging report), classifies it as CNC, and notates the appropriate TROR reason status code in FBMS. ARRA then writes the debt off. Debt coded CNC no longer shows in the aging report, however, it remains on the TROR. The debt remains in the CNC status listing until Fiscal Service collects payment or recommends closing out the collection. If Fiscal Service collects a payment from the debtor, ARRA reactivates the bill for collection in FBMS, records the payment, and if the debtor made a partial payment, writes the new amount of the debt off again.

(2) There are instances when Reclamation decides to write off the debt and close out the account without referring the debt to Fiscal Service. An example is when the debtor is deceased. Other times Fiscal Service may have exhausted their collection efforts and will return the debt to Reclamation as uncollectible. In these instances, the region submits a request to write off and close out the debt simultaneously. See Paragraph 15 and 16 for information regarding closing out the account.

15. Close Out.

If Fiscal Service returns the debt as uncollectible, or if the region determines a debt coded as CNC is uncollectible, the office that originated the bill submits a close out package to ARRA. In certain circumstances, such as the debtor being deceased, the region may determine to write off and close out the collection activity without sending the debt to Fiscal Service. ARRA reviews the close out package, which includes RF 7-2684 (Appendix E) and the write off request, if not previously submitted, for completeness. They submit it to the CFO for approval through the Director, MSO. Once approved, ARRA closes the account. If the amount of a close out is over $600, ARRA issues an Internal Revenue Service Form 1099C for the year the account was discharged.

16. Close Out Approvals.

A. The CFO approves requests for close out with a principal amount equal or less than $100,000 in accordance with Reclamation Manual *Delegations of Authority* Paragraph 4.H.(7).

B. Close out of debts greater than $100,000 but equal to or less than $500,000 require CFO and the Department, Office of Financial Management's approval if Fiscal Service approved the termination of collection actions.

C. Close out of debts greater than $100,000 that were not serviced and returned by cross servicing and debts greater than $500,000 require CFO and DOJ approval.

17. Related References.

Comptroller General Decisions: B-190462, 58 Comp, Gen, 372 (1979) and B-217181, 65 Comp. Gen. 893 (1986).

18. Definitions.

A. Administrative Offset.

Withholding funds payable by the United States (including funds payable by the United States on behalf of a state government) to, or held by the United States for, a person to satisfy a claim.

B. Close Out.

Debt Reclamation wrote off and Fiscal Service and Reclamation will no longer pursue.

C. Cross Servicing.

The process whereby Reclamation refers delinquent debts to Fiscal Service for collection.

D. Currently Not Collectible or CNC.

Classification of debt Reclamation wrote off, but Fiscal Service continues to pursue collection.

E. Currently Not Collectible Other or CNO.

Classification of debt Reclamation wrote off, but Reclamation continues to pursue collection.

F. Dunning Notice.

A collection letter sent to a defaulting debtor demanding payment by the creditor.

G. Minimum Bill Amount.

An amount calculated and posted on the Reclamation Finance Intranet site below which Reclamation will not make collection efforts.

H. Notice of Intent to Offset.

A collection notification letter sent to the debtor advising them that Reclamation will submit the delinquent debt to Treasury for further collection actions if payment is not received within 30 days.

I. Receivable.

An amount owed to Reclamation by an individual, organization, or other entity upon completion of the acts giving rise to such claims. Examples of receivables generated by Reclamation activities include amounts due for sales of goods and services, fines, penalties, forfeitures, interest, overpayments, fees, duties, claims, damages, audit disallowances, and travel advances.

J. Treasury Report on Receivables or TROR.

A report that captures information on receivables owed by the public to Reclamation. The TROR serves as a management report that informs Reclamation decision makers of the gross book value of the receivables owed to Reclamation and the status of Reclamation's debt portfolio.

K. Write Off.

An action to remove an amount from Reclamation's assets or financial resources. Reclamation removes the amount from its receivables, but collection activities continue until Reclamation designates the account as closed out.

19. Review Period.

The originating office will review this release every 4 years.