

# Reclamation Manual

## Directives and Standards

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<b>Subject:</b>	Allowance for Doubtful Accounts Receivable and Loans Receivable
<b>Purpose:</b>	Establishes the Bureau of Reclamation's procedures and responsibilities for estimating potentially uncollectible accounts receivable and uncollectible loans receivable. The benefit of this Directive and Standard (D&S) is to provide proper accounting of uncollectable accounts and loan receivables Reclamation-wide.
<b>Authority:</b>	Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Standards ( <a href="#">SFFAS No. 1</a> , <i>Accounting for Selected Assets and Liabilities</i> ; FASAB <a href="#">SFFAS No. 2</a> , <i>Accounting for Direct Loans and Loan Guarantees</i> ; FASAB <a href="#">SFFAS No. 18</a> , <i>Amendments to Accounting Standards For Direct Loans and Loan Guarantees in Statement of Federal Financial Accounting Standards No. 2</i> ; FASAB <a href="#">SFFAS No. 19</a> , <i>Technical Amendments to Accounting Standards For Direct Loans and Loan Guarantees in Statement of Federal Financial Accounting Standards No. 2</i> ; Department of the Interior, <i>Departmental Accounting Manual</i> (Section 8-30)
<b>Approving Official:</b>	Director, Mission Support Organization
<b>Contact:</b>	Business Analysis Division, Compliance and Audit Team (84-27410)

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1. **Introduction.** In order to provide complete and accurate financial information, Reclamation must analyze delinquent debts and provide a current estimate of the uncollectible accounts receivable and uncollectible loans receivable on the financial statements. It is a normal part of doing business that not all receivables are actually collected, therefore, Reclamation establishes an allowance for doubtful accounts to reduce the gross amount of receivables to the estimated net realizable value.
2. **Applicability.** This D&S applies to all Reclamation employees who are responsible for the calculating, recording, and reporting of an allowance for uncollectible accounts receivable or allowance for uncollectible loans receivable.
3. **Definitions.**
  - A. **Allowance for Doubtful Accounts.** An allowance for doubtful accounts is a receivable that Reclamation does not expect to collect. It is a contra-asset account that reduces the total receivables reported to reflect the accounts receivable to be collected. The allowance for doubtful accounts reduces the gross amount of receivables to its estimated net realizable value.
  - B. **Cross-Servicing.** Cross-servicing is the process whereby Federal agencies refer delinquent debts to the Department of the Treasury (Treasury) for collection. The Debt Collection Improvement Act of 1996 ([DCIA](#)) makes Treasury responsible for

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collecting delinquent debts Government-wide and generally requires Federal agencies to transfer any nontax debt delinquent over 120 days to Treasury's Debt Management Services (DMS) for debt collection services.

- C. **Receivable.** A receivable is an amount owed the Federal Government by an individual, organization, or other entity upon completion of the acts giving rise to such claims. Examples of receivables generated by Federal Government activities include amounts due for loans, sales of goods and services, fines, penalties, forfeitures, interest, overpayments, fees, duties, rents, royalties, claims, damages, audit disallowances, and travel advances. Refer to Reclamation Manual (RM) D&S, *Un-matured Receivables for Construction Repayment Contracts* ([FIN 06-30](#)) for information pertaining to un-matured receivables.
- D. **Treasury Report on Receivable (TROR).** The TROR is a report showing the number and dollar value of debts referred to Treasury's DMS for cross-servicing. The TROR serves as a management report that informs Federal decision makers of the *gross book value* of the receivables owed to Federal agencies and the status of the Federal Government's debt portfolio.

#### 4. Responsibilities.

- A. **Finance and Accounting Division, Accounts Receivable and Reimbursable Accounting (ARRA) Personnel.** On a quarterly basis, ARRA personnel are responsible for:
- (1) retrieving the age and type of debts outstanding using the Financial Business Management System (FBMS) Days Overdue Analysis report and the TROR reason codes in FBMS to determine which receivable accounts should be excluded from the allowance for doubtful accounts receivable;
  - (2) reviewing final results of the Reclamation-wide accounts receivable analysis for reasonableness;
  - (3) summarizing the Reclamation-wide totals by region, fund and work breakdown structure (WBS) to establish the current estimate for the allowance for doubtful accounts receivable;
  - (4) preparing and entering adjustments to the allowance for doubtful accounts receivable general ledger (GL) based on the current estimate by region, fund, and WBS;
  - (5) performing a Reclamation-wide analysis of the estimate of the allowance for doubtful accounts receivable for completeness; and
  - (6) confirming the systematic reversal of the previous quarter's adjustments to the allowance entries during the first month of the current quarter.

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**B. Regional Finance Office Personnel.** The regional finance office personnel are responsible for:

- (1) analyzing the loan receivable amount in FBMS for their region quarterly;
- (2) analyzing collectability of loan receivable amounts outstanding more than 120 days;
- (3) posting doubtful loan receivable amounts into FBMS after reviewing and discussing with the Reporting and Accounting Team (RAT); and
- (4) providing accumulated data to RAT for preparation of the loan footnote per Office of Financial Management (PFM) milestones, which is typically third and fourth quarter.

**C. Reporting and Accounting Team or RAT Personnel.** RAT personnel are responsible for:

- (1) reconciling the balances in FBMS to the balances on the loan analysis received from the regional finance offices quarterly;
- (2) providing oversight of loan receivables to ensure the regional finance offices are complying with current requirements;
- (3) providing guidance to the regional finance offices for any differences between the FBMS balances and the loan analysis;
- (4) reviewing doubtful loan receivable amounts and discussing adjustments with the regional finance office personnel;
- (5) reviewing the loan allowances for reasonableness quarterly; and
- (6) preparing Footnote 5 *Loans and Interest Receivable, Net*, per PFM milestones, which is typically third and fourth quarter.

### 5. Accounts Receivable.

A. Accounts receivable arise from claims to cash or other assets. Reclamation records accounts receivable and associated interest, penalties, fines, and administrative receivables in the following asset GL accounts:

- (1) 1310.A0000, *Accounts Receivable Revenue Off – Budget Actual.*
- (2) 1310.C0000, *Accounts Receivable, On-Budget, Billed.*
- (3) 1340.A0000, *Interest Receivable-Not Otherwise Classified – Off Budget Actual.*

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(4) 1360.A0000, *Penalties/Fines Receivable – Off Budget Actual.*

(5) 1370.A0000, *Administrative Fees Receivable Not Otherwise Classified.*

B. Some accounts receivable are not collectable. Reclamation establishes an allowance for doubtful accounts receivable to reduce the gross amount of receivables to its estimated net realizable value. The allowance for doubtful accounts receivable recognizes the principal amounts of potentially uncollectible accounts receivable along with the amount of any related potentially uncollectible interest, penalties, fines, and administrative fees. ARRA records the allowance for doubtful accounts receivable as a credit in the contra-GL accounts with a debit to GL 6720.00000 – *Bad Debt Expense*. The contra-GL accounts are:

(1) 1319.00000, *Allowance for Loss on Accounts Receivable.*

(2) 1347.00000, *Allowance for Loss on Interest Receivable – Not Otherwise Classified.*

(3) 1367.00000, *Allowance for Loss on Penalty and Fines Receivable – Not Otherwise Classified.*

(4) 1377.00000, *Allowance for Loss on Administrative Fees Receivable – Not Otherwise Classified.*

### 6. Uncollectible Accounts Receivable.

A. Reclamation recognizes losses on receivables when it is more likely than not that the receivables will not be totally collected. According to FASAB, the phrase *more likely than not* means more than a 50 percent chance of loss occurrence.

B. ARRA includes an accounts receivable that is more than 1 day delinquent in the estimate of the allowance for accounts receivable. The estimate is adjusted by:

(1) Increasing the total allowance amount of debt that is delinquent if it has a TROR Reason Code indicating bankruptcy.

(2) Decreasing the allowance for debt more than 1 day delinquent if the debt has certain TROR reason codes assigned to it. For example, exclude a debt with an EMP (Employee Debt – Non-Delinquent), INO (being collected through installment payments), or REN (rescheduled debt for which payments are being received according to new or modified terms of an agreement to repay the debt) status code from the allowance estimate.

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### 7. Loans Receivable.

- A. The regional finance office records current loans receivable, associated interest, penalties, fines, and administrative receivables in the following asset GL accounts:
- (1) 1350.A0000, *Loans Receivable Off Budget Actual.*
  - (2) 1350.B0000, *Loans Receivable – Unbilled.*
  - (3) 1341.LA000, *Interest Receivable Loans Off Budget Actual.*
  - (4) 1361.L0000, *Penalties/Fines Receivable – Loans.*
  - (5) 1371.L0000, *Administrative Fees Receivable – Loans.*
- B. Loans are analyzed quarterly. Potentially uncollectible balances, interest receivable, penalties and fines receivable, and administrative fees receivable, are recorded as a credit in the contra GL account with a debit to GL 6720.00000 –*Bad Debt Expense*. An allowance is booked at the region, fund, and project level for each loan where any of the potential factors in Paragraph 8 would indicate that there is doubt about its collectability at the present time. The Contra GL accounts are as follows:
- (1) 1359.00000, *Allowance for Loss on Loans Receivable.*
  - (2) 1345.00000, *Allowance for Loss on Interest Receivable Loans Not Otherwise Classified.*
  - (3) 1365.00000, *Allowance for Loss on Penalties and Fines Receivable –Loans.*
  - (4) 1375.00000, *Allowance for Loss on Administrative Fees Receivable – Loans.*
- C. In the third and fourth quarter, RAT initiates a data call to each of the regional finance offices to ensure the regions are analyzing the loan receivable balances. Once RAT receives confirmation from the regional finance offices that loan receivable balances have been reviewed, RAT reviews the final results of the Reclamation-wide allowance for loans receivable for reasonableness. The information obtained from the regional finance offices' analyses is then used to prepare Reclamation's portion of Footnote 5, *Loans and Interest Receivable, Net of Interior's Agency Financial Report.*

### 8. Uncollectible Loans Receivable. Factors potentially indicating uncertain collectability of loan receivables include:

- A. Loan performance experience:
- (1) Past loan delinquent either presently or intermittently.
  - (2) Payer/debtor has/had another loan that is delinquent or has been written off.

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- (3) This type/group of loan having a greater than normal number of defaults.
  - B. Current and forecasted international, national, or regional economic conditions that may affect the performance of the loans (i.e., drought conditions or other regional economic conditions exist which indicate potential deferral or non-payment).
  - C. Characteristics of borrowers including:
    - (1) Loans for “Ability to Pay.”
    - (2) Grant loans “Ability to Pay” relief.
    - (3) Payers/debtors are in known financial difficulty.
    - (4) Renegotiated payments, or proposed renegotiation.
    - (5) Billed portions of a loan are delinquent or written off.
    - (6) Non-loan bills for the same debtor are delinquent or written off.
    - (7) The debtor is in bankruptcy.
  - D. Newly developed events that would affect the loan’s performance.
9. **Related Reference.**
- A. Department of the Interior [Cash Management Handbook 2009](#).
  - B. RM D&S, *Tracking and Write-Off of Delinquent Accounts Receivable*, [FIN 08-20](#).
  - C. Treasury Financial Manual (A Supplement), Volume I Part 2 Chapter 4100 [Instructional Workbook for preparing the “Treasury Report on Receivables and Debt Collection Activities”](#).
  - D. OMB Circular A-129, [Policies for Federal Credit Programs and Non-Tax Receivables](#).
  - E. Department of the Interior Financial Management Memorandum 2009-006 (Vol. IX.B).

## RECLAMATION MANUAL TRANSMITTAL SHEET

Effective Date: \_\_\_\_\_

Release No. \_\_\_\_\_

Ensure all employees needing this information are provided a copy of this release.

### Reclamation Manual Release Number and Subject

### Summary of Changes

NOTE: This Reclamation Manual release applies to all Reclamation employees. When an exclusive bargaining unit exists, changes to this release may be subject to the provisions of collective bargaining agreements.

### Filing instructions

Remove Sheets

Insert Sheets

All Reclamation Manual releases are available at <http://www.usbr.gov/recman/>

Filed by: \_\_\_\_\_

Date: \_\_\_\_\_