

Reclamation Manual

Directives and Standards

Subject:	Allowance for Doubtful Accounts Receivable and Loans Receivable
Purpose:	Establishes the Bureau of Reclamation's procedures and responsibilities for estimating potentially uncollectible accounts receivable and uncollectible loans receivable in accordance with generally accepted accounting principles. The benefit of this Directive and Standard (D&S) is to provide proper accounting of uncollectable accounts and loan receivables Reclamation-wide.
Authority:	Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Standards (SFFAS No. 1 , <i>Accounting for Selected Assets and Liabilities</i> ; FASAB SFFAS No. 2 , <i>Accounting for Direct Loans and Loan Guarantees</i> ; FASAB SFFAS No. 19 , <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>Accounting Handbook</i> (Chapter 2.5.3)
Approving Official:	Director, Mission Support Organization
Contact:	Finance Policy & Programs Division (FPPD); Policy, Compliance, & Audit (84-27410)

1. **Introduction.** To provide complete and accurate financial information, Reclamation must analyze delinquent debts and record a current estimate of 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. This D&S does not apply to loans governed by the Credit Reform Act of 1990.
3. **Accounts Receivable.**
 - A. Accounts receivables arise from claims to cash or other assets. Reclamation records accounts receivable and associated interest, penalties, fines, and administrative receivables in the following asset general ledger (GL) accounts:
 - (1) 1310.A0000, *Accounts Receivable Revenue, Off-Budget Actual.*
 - (2) 1310.C0000, *Accounts Receivable, On-Budget Actual.*
 - (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. The Accounting Services Division, Revenue and Reimbursable Support Team (RRST) 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 Interest Receivable Not Otherwise Classified.*

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

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

4. 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. On a quarterly basis, RRST uses the Financial Business Management System (FBMS) Days Overdue Analysis report and the Department of the Treasury (Treasury) Report on Receivable (TROR) reason codes in FBMS to calculate an allowance estimate using percentages based on days delinquent. RRST includes an accounts receivable that is more than 1 day delinquent in the calculation. They adjust the estimate 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 if the debt has certain TROR reason codes assigned to it. For example, excluding 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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- C. After performing the calculations, RRST:
- (1) performs a Reclamation-wide analysis of the estimate for completeness;
 - (2) reviews the final results for reasonableness;
 - (3) summarizes the Reclamation-wide calculations by region, fund, and work breakdown structure; and
 - (4) prepares a journal voucher to record the estimate.
- D. In the first month of the quarter, RRST confirms the systematic reversal of the previous quarter's entry.
5. **Loans Receivable.**
- A. The regional finance office records loans receivable, associated interest, penalties, fines, and administrative receivables in the following asset GL accounts:
- (1) 1350.A0000, *Loans, 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. Reclamation recognizes potentially uncollectible balances, along with the amount of any related potentially uncollectible interest, penalties, fines, and administrative fees as a credit in a contra GL account with a debit to GL 6720.00000, *Bad Debt Expense*. The regional finance office records the entries at the region, fund, and project level for each loan when the potential factors in Paragraph 6.A. indicates doubt about the collectability. The contra GL accounts are:
- (1) 1359.00000, *Allowance for Loss on Loans Receivable.*
 - (2) 1345.00000, *Allowance for Loss Interest Receivable Loans Not Otherwise Classified.*
 - (3) 1365.00000, *Allowance for Loss Penalties and Fines – Loans.*
 - (4) 1375.00000, *Allowance for Loss Administrative Fees – Loans.*

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6. Uncollectible Loans Receivable.

- A. Factors potentially indicating uncertain collectability of loan receivables include:
- (1) Loan performance experience:
 - (a) Past loan performance reflects either present or intermittent delinquency.
 - (b) The borrower has another loan that is delinquent or was written off.
 - (c) The type of loan has a greater chance of default.
 - (2) 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).
 - (3) Characteristics of borrowers including:
 - (a) Loans are in review or were granted relief for ability to pay.
 - (b) Borrowers are in known financial difficulty.
 - (c) Payments were renegotiated or proposed renegotiation.
 - (d) Billed portions of a loan are delinquent or written off.
 - (e) Non-loan bills for the same debtor are delinquent or written off.
 - (f) The debtor is in bankruptcy.
 - (4) Newly developed events that would affect the loan's performance.
- B. The regional finance office reviews the loan receivable balance quarterly. They discuss potential adjustments to the doubtful loan receivable with FPPD Reporting, Accounting & Production Support (RAPS). The regional finance office analyzes the collectability of current and long term loan balances. After they review and record necessary entries, the regional finance office provides the accumulated data for each loan to RAPS.
- C. RAPS reconciles the balances in FBMS to the balances on the loan analysis received from the regional finance offices quarterly. They provide guidance to the regional finance offices for resolving differences found during the reconciliation. RAPS reviews the loan allowances for reasonableness.

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7. Related Reference.

- A. Reclamation Manual (RM) D&S *Minimal Bill Amount and Delinquent Accounts Receivable* ([FIN 08-20](#)).
- B. Treasury Financial Manual, Supplement to Volume I Part 2 Chapter 4100 *Instructional Workbook for Preparing the “Treasury Report on Receivables and Debt Collection Activities”*.
- C. Office of Management and Budget, Circular A-129, *Policies for Federal Credit Programs and Non-Tax Receivables*.

8. Definitions.

- A. **Allowance for Doubtful Accounts.** A contra-asset account that reduces the total receivables by amounts Reclamation does not expect to collect.
 - B. **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 loans, sales of goods and services, fines, penalties, forfeitures, interest, overpayments, fees, duties, claims, damages, audit disallowances, and travel advances. Refer to RM D&S, *Un-matured Receivables for Construction Repayment Contracts* ([FIN 06-30](#)) for information pertaining to un-matured receivables.
 - C. **Treasury Report on Receivable 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.
9. **Review Period.** The originating office will review this release every 4 years.

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: _____