

TABLE OF CONTENTS

ACCOUNTS RECEIVABLE

0301	OVERVIEW	3-2
0302	AUTHORITY AND REFERENCES.....	3-2
0303	ROLES AND RESPONSIBILITIES	3-3
0304	DEFINITIONS.....	3-3
0305	POLICIES AND PROCEDURES	3-6

CHAPTER 3**ACCOUNTS RECEIVABLE**0301 OVERVIEW

030101. This chapter issues policy for the recognition, recording, and reporting of public and intragovernmental accounts receivable. This chapter also addresses the recognition, recording and, when necessary, the write-off and closeout of public receivables and the recording and adjusting of intragovernmental receivables.

030102. Receivables shall be recorded when recognized or earned, and collected when due. The Statement of Federal Financial Accounting Standards (SFFAS) No. 1 requires that receivables be recognized when a federal entity establishes a claim to cash or other assets against other entities, either based on legal provisions, such as a legislative requirement, a payment due date, or goods or services provided. SFFAS No. 1 requires that receivables from federal entities be reported separately from receivables due from public entities. Because of legal and administrative requirements and concepts, intragovernmental and public receivables are treated differently.

0302 AUTHORITY AND REFERENCES

030201. Accounts receivable policies and procedures are developed in accordance with the following references.

A. Statement of Federal Financial Accounting Standard No. 1, "Accounting for Selected Assets and Liabilities", September 1995;
<http://fasab.gov/pdf/sffas-5.pdf>

B. Treasury Financial Management supplement, "Managing Federal Receivables" [Hardcopy only]

C. "Federal Claims Collection Standards" 31 CFR 900-904;
http://www.access.gpo.gov/nara/cfr/waisidx_04/31cfrv2_04.html

D. "Debt Collection Authorities under the Debt Collection Improvement Act of 1996" 31 CFR 285;
http://www.access.gpo.gov/nara/waisidx_04/31cfr285_04.html

E. OMB Circular A-129 "Policies for Federal Credit Programs and Non-Tax Receivables," November 2000;
<http://www.whitehouse.gov/omb/circulars/a129/a129rev.html>

- F. “Debt Collection Improvement Act of 1996” [Public Law 104-134]
- G. 26 CFR 1.6050P-1 (IRS 1099-C, Collection of Debt)
- H. United States General Ledger; <http://fms.treas.gov/ussgl/current.html>
- I. Federal Acquisition Regulation;
<http://www.access.gpo.gov/cgi-bin/cfrassemble.cgi?title=200348>
- J. Treasury Report on Receivables (TROR);
<http://www.fms.treas.gov/debt/dmrpts.html>
- K. “Processing of Monetary Claims (General),” 14 CFR 1261;
http://www.access.gpo.gov/nara/cfr/waisidx_04/14cfr1261_04.html

0303 ROLES AND RESPONSIBILITIES

- 030301. NASA Headquarters, Office of the Chief Financial Officer shall:
 - A. Coordinate and monitor the processes and systems used to record, report., and collect NASA’s receivables.
 - B. Prepare and submit, based on reports from the Centers, NASA’s agency-level Treasury Report on Receivables.
- 030302. NASA Center Office of the Chief Financial Officer shall
 - A. Record receivables as soon as possible upon notification from the responsible Center office that an amount is due.
 - B. Process collections and deposit receipts.
 - C. Monitor aged outstanding receivables and manage the debt collection function at the Center.
 - D. Refer delinquent debt to Treasury in accordance with Treasury procedures

0304 DEFINITIONS

- 030401. Accounts Receivable. Receivables arise from claims to cash or other assets against another entity. Receivables include, but are not limited to, monies due for indebtedness. Examples of indebtedness include overdue travel advances,

dishonored checks, interest, overpayments, fees, claims, damages, or any other event resulting in a debt owed to NASA.

030402. Close-out. Close-out occurs after determination has been made that additional collection efforts on a debt would be futile. The amount of the debt is reported to the Internal Revenue Service as potential income to the debtor on Form 1099-C, "Cancellation of Debt." Close-out may occur concurrently with the write-off of an account, or at a later date, depending on the collection strategy and the ultimate determination that the debt has been discharged. No additional collection action may be taken after close-out.

030403. Collection Actions. Collection actions include issuance of demand letters and referral to debt collection entities such as the Department of the Treasury.

030404. Delinquent Receivables. Delinquent accounts receivable are receivables that have not been paid by the date specified in the initial written demand for payment or applicable agreement unless other payment arrangements have been made. Receivables which are delinquent are aged from the payment due date. If a payment "grace" period is provided and expires without payment, then the receivable becomes delinquent from the original payment due date. When a receivable become delinquent all amounts, including penalties and fees become immediately due.

030405. Intragovernmental Receivables. Intragovernmental receivables are claims of a federal entity against other federal entities.

030406. Nondelinquent Receivables. Nondelinquent receivables are receivables outstanding for 30 days or less or those not yet due under the contract or billing document pertaining to the receivable.

030407. Nonentity Receivables. As defined by the Statement of Federal Financial Accounting Standards Number 1, nonentity receivables are amounts that NASA collects on behalf of the U.S. government or other entities, and NASA is not authorized to spend. Nonentity receivables are reported separately from receivables available to NASA (entity receivables.) Nonentity receivables include governmental receipts and collections arising from the sovereign and regulatory powers unique to the federal government.

030408. Nonfederal Receivables. Nonfederal receivables are claims of NASA or an entity within the federal government against nonfederal entities. The term "nonfederal entities" encompasses public entities, domestic and foreign persons and organizations outside the U.S. Government. Nonfederal receivables are also called public receivables.

030409. Reimbursements. Reimbursements are amounts earned and collected for goods or services furnished.

030410. Rescheduled Receivables. Rescheduled receivables are receivables and advances that have been subject to rescheduling, forbearance, deferment, reamortization, or any other form of extending the original payment(s) or payment due dates.

030411. Revenue. Revenue comes from two sources: exchange transactions and nonexchange transactions. Exchange revenues arise when an entity provides goods and services to the public or to another federal entity for a price. Exchange revenue is also known as earned revenue. Nonexchange revenues come primarily from power of the U.S. Government to demand payments from the public, such as taxes, duties, fines, and penalties.

030412. Write-off. Write-off occurs when an agency official determines, after all appropriate collection actions have been taken, that it is more than 50 percent likely that a debt is uncollectible. All collection efforts on the account cease and the account is removed from the receivables. Writing off a debt does not preclude NASA from taking advantage of offset possibilities or other means of collection, should they become available. Accounts may be written-off and maintained as inactive debt “currently not collectible.” Only public debt may be written off.

030413. Accounts Receivable (Account Number 1310). Accounts receivable are the receivables or amount due from others when the right to receive funds accrues. This may result from the performance of services, the delivery of goods, refunds due, or court ordered assessment. Sources of entry include billing documents, cost reports, receiving reports, payroll records, cash collection vouchers, and collection and disbursing documents. The normal balance for this entry is a debit.

030414. Allowances for Loss on Accounts Receivable (Account Number 1319). Allowances for Loss are the estimated amount of uncollectible accounts receivable. This account is increased by the amount estimated to be uncollectible each accounting period and is decreased by the actual amount subsequently written off. This account shall consider outstanding advances. Sources of entry include an analysis of accounts representing extensions of credit to estimate the uncollectible portion. The normal balance for this entry is a credit.

030415. Interest Receivable (Account Number 1340). Interest receivable is the accrued interest charges on accounts and loans receivable. This also includes interest accrued on investment securities. The normal balance for this account is a debit. Paragraph C, Annex 1 of this chapter provides guidance on the accrual of interest.

030416. Allowances for Loss on Interest Receivable (Account Number 1349). The allowance for loss on interest receivables is the estimated amounts of uncollectible interest receivable. This account is increased by the amount estimated to be uncollectible each accounting period and is decreased by the actual amount subsequently

written off. Sources of entry include an analysis of accounts representing extensions of credit to estimate the uncollectible portion. The normal balance for this entry is a credit.

030417. Penalties, Fines and Administrative Fees Receivable (Account Number 1360). This is the amount of penalties, fines and administrative fees on accounts and loans receivable due to the delinquency of a debt. The normal balance for this entry is a debit.

030418. Allowances for Loss on Penalties, Fines and Administrative Fees Receivable (Account Number 1369). This is the estimated amount of uncollectible penalties, fines and administrative fees receivable. This amount is increased by the amount estimated to be uncollectible each accounting period and is decreased by the actual amount subsequently written off. Sources of entry include an analysis of this account to estimate the uncollectible portion. The normal balance for this entry is a credit.

0305 POLICIES AND PROCEDURES

030501. Receivables.

A. Receivables shall be recorded in the accounting period in which they are earned from the sale of goods and services, or in which a debt is recognized. Accounting records for receivables shall be maintained so that all transactions affecting the receivables are included in the reporting period in which they occur. Adjustments or corrections to accounts receivable will be posted immediately. If adjustments or corrections effect the due dates for the receivable, the debtor shall be notified.

B. An advance payment usually is required before the delivery of goods or services. If an advance is not received, a receivable shall be recorded upon the sale of goods or performance of work.

C. Receivables shall be promptly aged and collected. An allowance for uncollectible accounts receivable due from the public shall be estimated and recorded. No allowance for uncollectible accounts shall be recorded for intragovernmental receivables.

D. Goods sold or services furnished shall be authorized and documented in a written agreement between NASA and the ordering entity. The cost of the goods or services is first borne by NASA. The activity receiving the goods or services (ordering entity or customer) reimburses NASA. Uncollected amounts earned from reimbursable sales are recorded as accounts receivable.

E. Prompt Collection. The collection of receivables shall be aggressively pursued for amounts due to NASA from federal customers and the public.

The due date for a receivable normally is 30 days from the date of invoice or notice of payment due; unless a specific due date is established by statute, contract provision, or notice of indebtedness. Collection actions shall be initiated when payment becomes due. Funds shall be collected in the appropriation that earned the funds, unless otherwise specified by law.

F. When a debt is paid in partial or installment payments, amounts received shall be applied first to outstanding penalties, second to administrative charges, third to interest, and last to principal, per Federal Claims Collection Standards, Title 31, Code of Federal Regulations (CFR) §901.9 (f).

G. Interest Receivable. Interest is accrued when an amount due is not received by the established due date. An interest receivable shall be recorded for the amount of interest income earned but not received for an accounting period. An interest receivable shall be recorded as it is earned on investments in interest-bearing securities. Interest also shall be recognized on outstanding accounts receivable against persons and entities in accordance with provisions in 31 U.S.C. 3717, Interest and Penalty Claims.

H. Information on receivables shall be developed, maintained, and reported using the United States Government Standard General Ledger (USSGL). The first four digits of the accounts receivable general ledger account shall conform to the USSGL chart of accounts.

I. The basic standards for internal controls shall be adhered to in establishing and collecting receivables. Major categories of receivables shall be maintained to facilitate clear and full disclosure of accounts receivable including the name of the debtor, and the amount, age, and the type of debt. Subsidiary records shall be reconciled to the control accounts on a monthly basis. Proper separation of duties shall be maintained.

J. Gains or losses resulting from foreign currency receivables shall be recorded in the "Other Gains or Losses" account for the period when settlement occurs. This requirement does not supersede the accounting requirement concerning gains or losses in foreign currency transactions as set forth in 31 United States Code (U.S.C.) 3342.

K. Several individuals will be responsible for the recording and reporting of public and intragovernmental accounts receivable. Those individuals shall coordinate their activities to ensure that accounts receivable are recorded, aged, collected, written-off, or closed-out as required in this chapter.

030502. Debt Collection. NASA policies and procedures for collection of debt are described in 14 CFR 1261, Processing of Monetary Claims (General).

030503. Erroneous, Invalid, or Unsubstantiated Accounts Receivable.

A. Receivables shall be reviewed for completeness, accuracy, and supportability annually. Any account receivable found to be erroneous or unsupported shall no longer be classified as collectable.

B. If it is determined that a debt was never owed and should not have been classified as an accounts receivable, the entries that established the accounts receivable shall be reversed.

C. If the documentation necessary to support a claim is no longer available the accounts receivable should be reversed. Justification for reversing the account receivable shall be documented and maintained for future audit purposes.

030504. Canceled Appropriations. Each Center shall retain all outstanding receivables in the accounting records even though an appropriation closes. When an appropriation closes NASA is not relieved of the responsibility to pursue collection or recovery. Collections received after an appropriation closes shall be deposited in the Department of the Treasury's Account 3200, "Collections of Receivables from Canceled Accounts."

030505. Public Receivables. Receivables due from the public are claims of NASA, or an entity within the federal government, against nonfederal entities. This includes debts from public entities, foreign governments and companies, and organizations outside the U.S. Government. Public receivables are created when an advance is not received or from refunds due to NASA.

A. Upon the sale of goods or services and determination of an amount due the responsible Center shall record a receivable in the accounting system. Abnormal balances resulting from such postings shall be researched and proper adjustments or corrections posted.

B. Upon receipt of a collection, the responsible Center shall record the collection in the accounting system and report the collection to the Department of the Treasury. If an abnormal balance results from the recording the collection, the balance shall be research and proper adjustments or corrections posted.

C. Each Center shall submit delinquent accounts receivable for further collection action as required by debt collection policy.

D. Public receivables shall be reported in accordance with Department of Treasury Regulations.

E. Refunds receivable are funds due to NASA. There is not a separate account for refunds receivable in the USSGL. Refunds receivable are treated as accounts receivable. Examples of refunds receivable include salary overpayments, overpayments

to commercial concerns due to erroneous billings, incorrectly computed invoices, or contract default, amounts due for items rejected or returned and recovery of amounts due on payments for contractual services when contracts are canceled and adjustments made for the unused portion.

F. Payroll offices, legal offices, procurement offices, or any entity that determines that a refund is due to NASA shall notify the CFO office that an accounts receivable is to be recorded in the accounting system. Such notification shall be made in the same accounting cycle that the debt is recognized.

G. Upon receipt of a collection on a debt, the collection shall be recorded in the accounting system and reported to the Department of the Treasury.

H. Delinquent accounts receivable shall be forwarded to Treasury for further collection action as required by NASA debt collection policy.

I. Accounts receivable shall be aged to allow for the management of collection actions.

J. The due date for a receivable is normally 30 days from the date of invoice 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 shall include a complete explanation of the debtor's rights, responsibilities, and additional charges that may be levied.

K. Delinquent vendor debt shall be submitted to the Department of Treasury, Debt Collection Service, for servicing no later than 90 days after the payment due date in accordance with debt collection policy. Subsection (g) of Section 3711 of title 31, United States Code requires that public receivables over 180 days old be transferred to the Department of the Treasury for further collection action.

L. Exceptions to the requirement to transfer debt to the Department of 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; (c) have been referred to a private collection contractor for collection for a period of time determined by the Secretary of the Treasury, and; (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.

M. Debts due from the public in the amount of \$100,000 or more must be referred to the Department of Justice for concurrence to terminate collection action.

N. Each Center shall establish an allowance for loss, or doubtful debt, which shall provide for reducing gross receivables by the amount of the estimated loss to

their net realizable value. SFFAS No. 1 states that losses on receivables should be recognized when it is more likely than not that the receivables will not be totally collected; the phrase “more likely than not” means more than a 50 percent chance of loss. The allowance for uncollectible amounts shall be reviewed annually.

030506. Write-off and Close-out of Public Accounts Receivable.

Requirements for the collection, write-off and close-out of public accounts receivable are established in Office of Management and Budget (OMB) Circular A-129, “Policies for Federal Credit Programs and Non-Tax Receivables.”

A. The Associate Administrator for Management Systems and Facilities (for NASA Headquarters) and the Director, for a Center, or a designee who reports directly to those officials, have the authority to terminate collection action on debts which do not exceed \$20,000, exclusive of interest, penalties and administrative costs, after consultation with other officials as outlined in CFR 1261.403. After reasonable efforts to enforce collection have been exhausted, DCFO(F)s are authorized to write off delinquent debts when the principal amount is less than \$100.00. These small delinquent debts should be written off if collection is not made after the third demand letter. The Administrator or designee has the authority to compromise, suspend, or terminate collection action where the principal amount of a debt is between \$20,000 and \$100,000; recommendations for such action should be referred to the Director, Financial Management Division, NASA Headquarters, for processing. Where the principal amount of a debt exceeds \$100,000, only the Department of Justice has authority to compromise, suspend or terminate collection actions, and the matter should be referred to Justice as discussed in 14 CFR 1261.417.

B. Generally, write-off is mandatory for public delinquent debt that has not been collected within 2 years. When a debt is written-off, it must be classified as “currently not collectible” (CNC) or closed-out. Debts in CNC status are reported on the Treasury Report On Receivables (TROR) and are eligible for both offset and cross-servicing. Public debt shall be classified as CNC only if: (1) the vendor debt is over \$600, (2) all available debt collection actions have been pursued, (3) it is cost effective to continue collection efforts, and (4) the debt is less than two years old. CNC debt shall be continuously reviewed and, as required, reclassified and closed-out.

C. The Treasury Financial Management supplement, “Managing Federal Receivables” states that an agency shall consider a debt uncollectible, write-off the debt, and terminate active collection action when one or more of the following criteria apply:

1. The debt is erroneous or otherwise without merit.
2. The debt cannot be substantiated.
3. The debtor has filed a petition for bankruptcy.

4. The costs of further collection action will probably exceed the amount that could be recovered.

5. The agency is unable to locate the debtor and finds that either: (1) there is no security to be liquidated to recover the amount owed, or (2) the statute of limitations has expired and the chances of collecting the debt are minimal.

6. The agency is unable to collect any substantial amount.

D. Close-out of delinquent accounts receivable shall be accomplished two years after the payment due date, and shall be reported to the Internal Revenue Service (IRS). Public vendor debt of \$600 or less shall be collected or closed-out. This debt should not be referred for further collection action unless mandated by public law. Appropriate documentation shall support the decision to close-out uncollectible public debt.

E. Public debt over \$600 due from vendors for the sales of goods and services shall be referred to the Department of Treasury for further collection actions. For vendor debt, refer the debt no later than 90 days after the payment due date. Delinquent public debt must be reported to the Department of the Treasury no later than 180 days after the payment due date, unless exempted by statute or law.

F. The Department of the Treasury, after due process, shall return uncollected public receivables to the Agency. The Center shall write-off or close-out the delinquent accounts receivable and maintain the history of all research and debt collection efforts (including Department of Treasury's research and efforts).

G. Public debt of \$100,000 or greater that is not collected by the Department of the Treasury shall be submitted to the Department of Justice for possible legal action. Documentation shall be maintained that the debt was submitted to the Department of Justice for review.

H. When a debt meeting the criteria listed below is closed-out, a Form 1099C must be filed with the IRS and notification made to the debtor in accordance with the Internal Revenue Code 26 United States Code Section 6050P and IRS regulations 26 Code of Federal Regulations Part 1.60500-P. The 1099C reports the uncollectible debt as income to the debtor. All debts meeting the following criteria should be reported to the IRS.

1. The amount of the defaulted obligation not in dispute accrues to a total of \$600 or more for a calendar year.

2. The obligation is not discharged in a Title II bankruptcy case.

3. The applicable federal statute for enforcing collection of the obligation expired during the tax year, or some form of formal compromise agreement is reached during the year in which the debtor is discharged legally of all or a portion of the obligation (in this case the portion discharged, less interest, is reportable).

030507. Intragovernmental Receivables. Receivables due from NASA Centers or other federal entities are intragovernmental receivables, and should be reported separately from receivables due from public entities. Billings arising from transactions within NASA and with other federal departments and agencies shall be recorded as accounts receivable in the accounting month earned.

A. Bills generated from transactions with other federal departments or agencies shall be collected through automated or regularly established self-collection methods, such as the Treasury's Intragovernmental Payment and Collecting (IPAC) system. When automated collection procedures cannot be used, the Voucher for Transfer Between Appropriations and/or Funds (Standard Form (SF) 1080) will be used as the collection document. Remittance by check from federal agencies shall be used as a last resort, and shall not be allowed between NASA Centers.

B. Disputes between NASA and other Federal Agencies shall be forwarded to the performer's Chief Financial Officer or designee for review. Disputed accounts receivable will be forwarded to the performer's CFO after all research and collection actions have been performed no later than 90 days after the payment due date.

030508. Reporting Requirements.

A. Each Center shall submit a completed "Report on Receivables Due From the Public" to the NASA Office of the Chief Financial Officer at the end of each quarter. Instructions for the preparation of this report can be found at the Treasury FMS website.

B. Reporting Receivables in the Audited Financial Statements. Accounts receivable are reported on the annual audited financial statements of the Agency. Instructions for the reporting of receivables in the annual audited financial statements are contained in Volume ____, "Form and content of the Audited Statements," of this regulation. Receivable amounts are depicted in the Balance Sheet and are disclosed in the Notes to the Financial Statements.

C. Public accounts receivable balances reported on the annual audited financial statements shall be reconciled with the Federal Agencies' Centralized Trial Balance System (FACTS I) accounts receivable from the public balances (attribute nonfederal).

D. Accounts receivable balances due from the public reported on the annual audited financial statements shall be reconciled with receivables reported on the "Report of Receivables Due From the Public."

E. The consolidated annual audited financial statements eliminate intragovernmental accounts receivable balances. Accounts receivable balances shall be eliminated against the trading partner's accounts payable balances. With identification of partner codes on each receivable transaction, elimination of intragovernmental accounts receivable against applicable accounts payable can be accomplished accurately and efficiently.

030509. Quality Assurance.

A. Periodic Monitoring Controls Performed by Centers. The NASA Center Financial Statement Checklist provides Center DCFO(F)s with a convenient summary of key actions and submissions to Headquarters associated with completion of the annual financial statements. Section 1.6, Review Accounts Receivable and Accounts Payable, provides instructions for quarterly reconciling manual records maintained by accounting personnel to the NASA IFM/SAP records. The Checklist is located at <http://www.hq.nasa.gov/fmm/docs/pd-03-0006.pdf>.

B. Receivables shall be reviewed for supportability and validity. Such reviews shall be conducted annually. If a receivable is found to be unsupported, that receivable shall be removed from the accounting records within 10 workdays of its identification as erroneous, invalid, or unsupported.

C. Receivables determined to be supportable and valid that are less than two years old shall be collected, written-off, or closed-out upon completion of due research and debt collection.

D. Exempt from annual review are public receivables under review by the Department of the Justice, and debt in the process of being collected as required by the Federal Acquisition Regulation, Part 32.6, "Contract Debt." However, such exempt debt shall be aggressively managed and monitored for status of collection by the responsible accounting office.

030510. External Reporting. For accounts receivable external reporting requirements, please refer to Volume 8 External Reporting.

