

**CHAPTER 4**

**BILLING AND COLLECTIONS**

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## CHAPTER 4

BILLINGS AND COLLECTIONS0401 OVERVIEW

040101. General. This chapter sets out policies and procedures for the billing and collections of amounts due to NASA from others. Whenever possible NASA should use electronic billing and collection mechanisms documented in Volume 15 Chapter 2 “Electronic Funds Transfer”.

040102. Authority and References.A. Laws.

1. The Debt Collection Improvement Act of 1996, (Debt Collection Improvement Act of 1996 is Public Law 104-134, Section 31001, 110 Stat. 1321-358).

<http://www.fms.treas.gov/debt/regulations.html>

2. 31 USC Chapter 37 Claims Subpart II Claims of the United States Government.

[http://www4.law.cornell.edu/uscode/html/uscode31/usc\\_sup\\_01\\_31\\_08\\_III\\_10\\_37.html](http://www4.law.cornell.edu/uscode/html/uscode31/usc_sup_01_31_08_III_10_37.html)

B. Executive Agency Regulations and Directives.

1. 31 CFR Part 285 Disbursing Official Offset.

<http://www.fms.treas.gov/debt/regulations.html>

2. 31 CFR 900-904 - Federal Claims Collection Standards.

<http://www.fms.treas.gov/debt/regulations.html>

3. OMB Circular A-129, Section IV and V of Appendix A.

<http://www.whitehouse.gov/omb/circulars/index-ffm.html>

C. Treasury Publications and Guidance.

1. Treasury Financial Manual, Volume I Federal Agencies, Parts 4-6. <http://www.fms.treas.gov/tfm/vol1/index.html>

2. Cross Servicing Implementation Guide Revised May 2005, Treasury Management Services, Debt Management Services, Cross Servings Division. <http://www.fms.treas.gov/debt/crosserv.html>

0402 APPOINTMENT OF COLLECTION OFFICER

Collection agents are NASA employees who are appointed by Center CFOs to manage the collection process at the center. Collection agents are to receive detail notification of billings for collection and assure the procedures in this chapter are followed.

040201. Center CFOs will select and appoint NASA employees to serve as collection agents. Appropriate written notification to each selected employee will be prepared to document the designation and outline the responsibilities of the position. A copy of the notification will be retained by the Center CFO.

040202. Responsibilities of Collection Agent.

A. The collection of all monies due the Center pursuant to properly prepared billing documentation in accordance with this chapter.

B. The prompt and proper disposition of all monies received in accordance with FMR Volume 15 Cash Management Chapter 5 for Deposits.

C. Safeguarding against physical loss of funds by performing the responsibilities outlined in FMR Volume 15 Cash Management, 090205 for Accountable Officials.

D. Other duties assigned including those by the Center CFO in the appointment letter. See FMR Volume 15 Cash Management 040201 above.

E. To provide appropriate internal control, collection agents will not be responsible for maintaining accounting records which serve as the basis for billing. Nonetheless, collection agents shall be fully apprised of and be able to report on the status of all collections for which they are responsible.

F. Assuring processing of collections and updating is handled accurately and timely in NASA's accounting system (SAP). This includes performing or overseeing the reconciliation of SAP reports on collections and billings.

G. Collection agents serve as NASA's representatives for compromise of debt. Collection agents shall maintain reports on the need for compromise of debt and the status of debt compromise. Collection agents' reports and recommendations for compromise or debt write off are made available to the Center CFO by Center DCFO. Any debt compromise or write off must be approval by Center CFOs.

0403 POLICIES AND PROCEDURES FOR BILLINGS

040301. Invoices to individuals and organizations outside the U.S. Government will adhere to the following:

A. An invoice, for either an actual or estimated amount, will be prepared and mailed within 5 business days after the day that goods have been shipped or released, services have been rendered, or payment is otherwise due. Centers may prepare and mail an invoice later than the 5-day timeframe if it is cost effective to do so.

B. The invoice will include a payment due date that will not be more than 30 days from the date of the invoice, unless otherwise provided by law.

C. If the value of the goods or services cannot be specifically determined, a bill equal to at least 75 percent of the estimated value will be prepared and mailed within 5 business days. Identify the estimated invoice as being a partial invoice and note that a final invoice will be completed when the value is determined. Prepare and mail a final invoice within 30 days of the submission of an estimated partial invoice.

D. Other Information to be included on bills.

1. Payment should be made to NASA, not a NASA official.

2. In accordance with TFM instructions, the bill should be imprinted or stamped with a notification such as:

*"The payment due date is 30 days from the date of this bill. Pursuant to 31 USC3717, additional charges will be assessed on payments received after the due date, including:*

*1. Interest at \_\_\_\_\_%, from the date the debt is owed;*

*2. Administrative charges; and*

*3. Penalties, not to exceed 6 percent per year on any portion of the debt delinquent for more than 90 days, accrued from the date the debt became delinquent."*

E. Centers shall use SAP to prepare the invoice and bill for non-federal organizations to be printed for mailing. SAP has a link to Treasury to obtain the current rate and calculate interest.

040302. Reimbursable Work. Billing requirements for Reimbursable work will be included in NASA FMR Volume 16, Reimbursable Work. In addition to these requirements, invoices and bills to federal agencies are prepared in SAP and

electronically interfaced to IPAC for subsequent electronic transmission through Treasury and to the other agency. Centers shall record in SAP the estimated statistical costs and depreciation charge that is to be billed for the month; including any Headquarters G&A and Contract Administration that is IPAC'd to Headquarters on the same day. These actions update the costs recorded against the reimbursable Work Breakdown Structures (WBS) in Project Systems. When possible, invoices shall be processed through the SAP IPAC interface for collection otherwise they will be manually updated in SAP.

040303. Other Billing Requirements and Guidelines.

A. General Requirements.

1. A consolidated monthly bill to each debtor is encouraged in order to lessen the volume of paper and accounting work involved.

2. A uniform numbering system should be maintained for all bills tendered; a filing system should be established to separately identify uncollected bills and collected bills.

3. A bill register should be maintained for all bills issued. The bill register should include the date of the bill, the bill number, the name of the debtor, the amount of the bill and a description. SAP provides for automated mechanisms to do this.

B. Consideration for particular kinds of debt.

1. Bills will not be issued when collections are to be made by payroll deductions for bonds, taxes, etc.

2. The collection of jury duty fees can normally be accomplished without formal billing. Employees serving on jury duty should be informed to refund jury duty fees received, if applicable, upon return to work. The pay records of employees serving on jury duty shall be annotated so that proper follow-up actions can be taken to ensure the refund is received.

3. Each Center's financial management office will establish a system of review to ensure that travel advances are recovered. This is a function performed in the travel office and covered by NASA FMR Volume 12 Travel.

040304. Billing Mechanics. The following procedures will be used to bill customers and other debtors for supplies delivered and services rendered, etc.:

A. The Intra-Governmental Payment and Collection (IPAC) System is an automated system used to electronically bill and collect for services rendered and

supplies delivered. The IPAC system, which is a component of the Government On-Line Accounting Link System (GOALS), establishes a standardized interagency billing and adjustment procedure via a telecommunication network. The IPAC system is used for billing and collecting from other government agencies by authorized personnel in the financial management offices of each NASA Center. The IPAC system is restricted to government agencies that utilize Treasury financial centers for billing and paying purposes. Billings may be entered through the last day of each month. Paying agencies have 90 days to enter adjustments to bills. The IPAC system is also used by NASA Centers for internal billings and adjustments to accounts. Detailed instructions for the IPAC system are contained in 1 TFM 6-4000.

B. Electronic Fund Transfer. To the maximum extent possible Centers shall use the electronic mechanisms available through Treasury Financial Management Services (FMR Volume 15 Cash Management, Chapter 2 Electronic Funds Transfer, 0206, Collection Mechanisms).

C. Collection activity in NASA is recorded in SAP. It is NASA's policy to use the automation capabilities of SAP to the maximum extent possible. Centers shall waive these processes only when absolutely necessary due to system malfunction. Centers shall notify the Competency Center promptly of malfunctions. The following is a list of the activities that Centers shall perform through SAP:

1. Though the receipt of collections is not automated in SAP it must be promptly updated in SAP and subsequently reconciled. SAP is fully equipped with on-line and printable reports for this purpose.

2. Billing. Invoice preparation and the mandatory letters of notification (see 040501) are automated in SAP. They shall be printed from SAP and mailed promptly to the debtor by the due dates.

a. SAP contains analytical capability to assist in determining delinquent debts including; aging of accounts receivable, tracking of delinquent accounts, with printed and on-line report capability.

b. Interest penalties, other penalties, and administrative cost shall be calculated for input into SAP.

3. SAP shall be used to support the identification and compromise of delinquent debts by:

a. recording all financial data related to the debts.

b. updating the allowance for bad debt account.

c. tracking the status of request for write-offs and other compromises.

d. Generating for printing and dispatch the IRS Form "Cancellation of Debt".

4. IPAC.

a. Invoices for IPAC shall be created in SAP and electronically submitted through the SAP IPAC Interface.

b. Collections received though IPAC will be verified against the collections recorded in SAP.

c. Reconciliation of the IPAC error list with the SAP customer transaction report shall be completed in a timely manner.

D. Manual Billing.

1. Optional Form 1114, Bill for Collection, is used to bill debtors other than Government agencies. Letters and other supportive documents, when necessary, should be used to transmit and explain the billing.

2. Standard Form 1080, Voucher for Transfer Between Appropriations and/or Funds, is used to bill other Government agencies when either the billing or the paying agency is not serviced by a Treasury financial center.

3. Standard Form 1081, Voucher and Schedule of Withdrawals and Credits, is used to bill other Government agencies when both the billing and the paying agency are serviced by a Treasury financial center.

4. Manual billing shall be posted in SAP before mailing.

0404 POLICIES AND PROCEDURES FOR COLLECTION

Centers shall take aggressive action, on a timely basis with effective follow up, to collect all claims of the United States for monies or property arising out of NASA activities, and to cooperate with the other Federal agencies in debt collection activities. Though Centers may receive assistance from Treasury and often it is mandatory that debts be referred to Treasury, ordinarily at a minimum Centers will be preparing the initial demand letter. Centers should be prepared to assist Treasury by providing detailed information and background on the debtor and likelihood of collection including steps that can be taken to enforce collection. In the same way Centers shall assist the Department of Justice (DOJ) if a claim is referred for litigation. Details for NASA collections are codified in 14 CFR 1261.4.

040401        Demand for Payment. Appropriate written demands shall be made promptly upon a debtor of the United States in terms which inform the debtor of the consequences of failure to cooperate. Centers shall follow the procedures established in 12 CFR 1261.407 in making demands for payment

A.        Written payment demands shall be included with the billings whenever possible (see Volume 15 Cash Management, 0403 POLICIES AND PROCEDURES FOR BILLINGS).

B.        NASA collection agents should respond promptly to communications from the debtor, within 30 days whenever feasible, and should advise debtors who dispute the debt to furnish available evidence to support their contentions.

C.        Centers shall use SAP to create the demand letter and print it for mailing whenever possible.

040402        Assessment and Waiver of interest, penalties, and administrative costs.

A.        NASA collection agents shall assess and waive interest, penalties, and administrative in accordance 14 CFR 1261.412.

B.        Centers shall use SAP to record interest, administrative charges and penalties to be billed to non-federal customers. SAP has an on-line interface to Treasury to assist in the calculation of interest. Penalties and administrative cost vary on a case-by-case basis. Payment and must be determined and then input into SAP.

C.        Approval of Waivers of Interest, Administrative Charges, and Penalty. Ordinarily these are small amounts for which Center CFOs may approve or set up a criteria for approval within the Center. Should amounts exceed \$5,000 they shall be referred through the Center CFO to the Agency DCFO for approval.

040404        Settlement of Debt and Enforcement of Collection. NASA collection agents should, if practical and if there are no mitigating circumstances to the contrary, attempt to collect the full amount owed plus interest and penalty in one lump sum payment. NASA may at any time after due notice, such as provided above by demand letters to the debtor, pursue debt collection enforcement to settle and collect debt. NASA may seek the assistance of Treasury and/or refer debt to Treasury in most cases. Collection agents should be informed of the debt enforcement options available below and be prepared to act or assist the Treasury or the DOJ accordingly:

A.        Thirty days before taking more aggressive actions to collect the debt NASA must inform the debtor in writing of the nature of the action it will take. This correspondence must indicate the nature of the action that is being taken, the

debtor's right and procedures to be used to seek a hearing or compromise, the steps NASA will take to implement the action, the date or timing of implementation of the action, and any other information known. This notification may be a part of the demand letters in 040401 above.

B. Oral or Written Notice and Hearings. Before implementing the actions in this section, Centers should affirm proper written notice was given to the debtor as required above. Moreover, Centers must coordinate with OGC to determine if NASA is required to afford a debtor a hearing or review within the agency and to assure all rights of the debtor and legal requirements are honored. In those cases where an oral hearing is not required, the agency shall nevertheless accord the debtor a "paper hearing," that is, the agency will make its determination on the request for waiver or reconsideration based upon a review of the written record. (4 CFR 102)

C. Use of a Consumer Reporting Agency. NASA has authority to turn over information about the debtor to a Consumer Reporting Agency. The terms and conditions for this are in 14 CFR 1261.408,

D. Use of Collection Agency. NASA has authority to turn over collection of debt to a collection agency. The terms and conditions for this are in 14 CFR 1261.409.

E. Suspension or revocation of license or eligibility; liquidation of collateral. In seeking the collection of statutory penalties, forfeitures, or debts provided for as an enforcement aid or for compelling compliance, NASA will give serious consideration to the suspension or revocation of licenses or other privileges for any inexcusable, prolonged, or repeated failure of a debtor to pay such a claim. 14 CFR 1261.410

F. Collection by administrative offset. NASA Centers will coordinate with Treasury to determine whether collection by administrative offset is feasible and legal. The determination must be made on a case-by-case basis, in the exercise of sound discretion. Centers should consider not only whether administrative offset can be accomplished, both practically and legally, but also whether offset is best suited to further and protect all of the Government's interests. In appropriate circumstances, agencies may give due consideration to the debtor's financial condition, and are not required to use offset in every instance in which there is an available source of funds. Agencies may also consider whether offset would tend to substantially interfere with or defeat the purposes of the program authorizing the payments against which offset is contemplated. Administrative offset includes offset against a payment to be made to a debtor, offset against a judgment obtained by a debtor against the United States, and monies which are due and payable to a debtor from the Civil Service Retirement and Disability Fund. (4 CFR 102.3) (31 USC 3716). NASA collection agents shall notify Treasury of delinquent debts for the purpose of administrative offset in accordance with 31 U.S.C. 3716(c)(6).

G. Garnishment. Notwithstanding any provision of state law, the head of an executive, judicial, or legislative agency that administers a program that gives rise to a delinquent nontax debt owed to the United States by an individual may in accordance with 31 USC 3720 D garnish the disposable pay of the individual to collect the amount owed, if the individual is not currently making required repayment in accordance with any agreement between the agency head and the individual. NASA officials shall coordinate with OGC to determine the legality of garnishment. NASA officials shall obtain a wage garnishment order through Treasury. The Department of Interior (DOI) Denver is the payroll processing office for NASA. Court orders and other documents effecting garnishment must be processed through DOI Denver.

H. Installment Payments. Whenever feasible, and except as otherwise provided by law, debts owed to NASA together with interest penalties, and administrative costs as required, should be collected in full in one lump sum. This is true whether the debt is being collected by administrative offset or by another method, including voluntary payment. However, if the debtor is financially unable to pay the indebtedness in one lump sum, payment may be accepted in regular installments. The NASA Collection Officer should obtain financial statements from debtors who represent that they are unable to pay in one lump sum and independently verify such representations whenever possible. (31 CFR 901.8.a) If NASA agrees to accept payment in regular installments, the NASA Collection Officer will obtain a legally enforceable written agreement from the debtor which specifies all of the terms of the arrangement and which contains a provision accelerating the debt in the event the debtor defaults. The size and frequency of installment payments should bear a reasonable relation to the size of the debt and the debtor's ability to pay. If possible, the installment payments should be sufficient in size and frequency to liquidate the Government's claim in not more than 3 years and should be no less than \$50 per month.

If the debtor owes more than one debt and designates how a voluntary installment payment is to be applied as among those debts, that designation must be followed. If the debtor does not designate the application of the payment, agencies should apply payments to the various debts in accordance with the best interests of the United States, as determined by the facts and circumstances of the particular case, paying special attention to applicable statutes of limitations. 14 CFR 1261.411

I. Compromise of Debt. With consideration to the following, NASA collection agents may consider compromise payment by suffering the debtor not to pay the entire amount, by waiving payment, or by discontinuing or terminating collection activities:

1. Compromise may be considered if NASA can not collect the full amount because of:

- a. The debtor's inability to pay within a reasonable time,
- b. the refusal of the debtor to pay the claim in full, and
- c. the Government's inability to enforce collection in full within a reasonable time.

2. Personal Interviews. In the event of compromise, Collection agents shall undertake personal interviews with its debtors whenever feasible, having regard for the amounts involved and the proximity of agency representatives to such debtors to effect compromise.

3. Amount of Debt. NASA may compromise debt of \$20,000 or less. (14 CFR 1261.414.a) Collection agents shall recommend approval of compromises to the Center CFOs. Center CFOs shall deny the request or recommend concurrence of the Agency DCFO. When the claim (exclusive of interest, penalties, and administrative costs) exceeds \$20,000, NASA must get DOJ's approval for the compromise. The debt shall not be subdivided to stay within the \$20,000 limit. Request and approval of compromise shall be tracked in SAP.

4. Other factors to consider are the precedent collecting or failure to collect would have on other cases, and the cost of collection.

J. Upon receipt of full payment of a claim, or the amount in compromise of a claim, the designated NASA official will prepare and execute, on behalf of the United States, an appropriate release, which shall include the provision that it shall be void if procured by fraud, misrepresentation, the presentation of a false claim, or mutual mistake of fact.

K. At the request of the Agency DCFO, the Office of the Inspector General will, where practicable, conduct such investigations as may assist in the collection, compromise, or referral of claims of the United States, including investigations to determine the location and financial resources of the debtors. Any claim which, in the opinion of the Designated NASA official may indicate fraud, presentation of a false claim, or misrepresentation, on the part of the debtor or any other party having an interest in the claim, shall be referred to the Inspector General (IG), NASA Headquarters, or to the nearest office of the NASA IG. After conducting an investigation the IG will notify the official as to the findings and disposition of the claim. Claims with evidence of such wrong doing will be referred to the DOJ in accordance with the provisions of 4 CFR 101.3; if it were found that there is no indication of such wrong doing the IG will return the claim to the official from whom it was received. 14 CFR 1261.404

040405. Referrals to Treasury. NASA should consider using the collection assistance available from Treasury and must utilize it in some cases.

A. The Financial Management Service, Debt Management Services, Cross Servicing Division is organized to provide agency services such as the following:

1. Agency liaison.
2. General information/collection guidance.
3. Financial analysis/case reconciliation.
4. Supplying reports on debt collection.
5. Negotiate letters of agreement with debtors.
6. Referral of debts to the DOJ.

B. Mandatory Referrals. The Debt Collection Improvement Act of 1996 (DCIA) requires federal agencies to transfer any non-tax debt that is over 180 days delinquent to the Department of the Treasury for debt collection action; this is known as "Cross-Servicing." The time period may be extended by Treasury Debt Management Service (DMS) approval of a written request by the OCFO. A creditor agency may refer any debt that is less than 180 days delinquent to FMS or, with the consent of FMS, to a Treasury-designated debt collection center for debt collection services. There are five specific instances and a sixth subject to approval where debts are excluded from transfer. They are:

1. Debts that are in litigation or foreclosure.
2. Debts that will be disposed of under an asset sales program within 1 year after becoming eligible for sale, or later than 1 year if consistent with an asset sales program and a schedule established by the agency and approved by the Director of the OMB.
3. Debts that have been referred to a private collection contractor for collection for a period of time determined by Treasury.
4. Debts that have been referred to a Debt Collection Center with the consent of Treasury and for a period of time determined by Treasury.
5. Debts that will be collected under internal offset if such offset is sufficient to collect the debt within 3 years after the debt is first delinquent.

6. In addition, a specific class of debt may be excluded by the Secretary of the Treasury at the request of the head of an executive, legislative or judicial agency.

C. As part of these services Treasury establishes requirements agencies must work within including: information requirements about the debt and debtor, areas where the agency must assist in collecting the debt and related collection processing, and fees for the service.

D. Loss of Checks Prior to Deposit. When a check submitted to a Center to cover an indebtedness (Accounts Receivable) is lost, destroyed or mutilated, the NASA Center to whom the check was drawn will immediately request the drawer to stop payment on the original check and to submit or replace the check without the execution of an agreement of indemnity (see 1 TFM 5-5030). If a replacement check cannot be obtained without giving an agreement of indemnity, the Center will transmit the case promptly to the following address:

Department of the Treasury  
Bureau of the Public Debt  
Division of Financial Management  
P.O. Box 1328 Parkersburg, WV 26106-1328  
(Telephone 304-480-8200)

040406. Referrals of Claims DOJ or GAO. Claims on which aggressive collection action has been taken and which cannot be compromised, or on which collection action cannot be suspended or it is otherwise known will require litigation will be referred to the Department of Justice (DOJ) for litigation either directly by NASA or by the Treasury. If the claim arises from audit exceptions taken by General Accountability Office (GAO) to payments made by NASA it must be referred to the GAO for review prior to DOJ. (14 CFR 1261.417.b) NASA shall follow the procedures in 14 CFR 1261.416 and 14 CFR 1261.417 in referring these debts to DOJ or GAO. Below is a summary of the actions covered by these sections that Centers shall consider for referral:.

A. Cases of fraud may be sent to DOJ anytime.

B. When NASA holds a debtor's firm written offer of compromise which is substantial in amount and is uncertain as to whether the offer should be accepted, it may refer the offer, the supporting data, and particulars concerning the claim to the to the GAO or DOJ. The GAO or the DOJ may act upon such an offer or return it to the agency with instructions or advice.

C. When the merits of the claim, the amount owed on the claim, or the propriety of acceptance of a proposed compromise, suspension, or termination are in doubt, refer to GAO.

D. When the claim, exclusive of interest, penalties, and administrative costs, exceeds \$20,000, the authority to accept compromise, suspend or terminate collection activity rests solely with the DOJ.

E. NASA is not to refer claims of less than \$600, exclusive of interest, penalties, and administrative costs, for litigation unless the exceptions in 14 CFR 1261.417 apply

F. Guidelines for NASA transmitting to DOJ directly are:

1. Promptly refer delinquent accounts to DOJ as soon as there is evidence that the debt is collectible and that full or partial recovery of the debt will be best achieved through litigation

2. Send claims to DOJ when all efforts and administrative processes are completed and the debt remains delinquent and legally enforceable

3. Set up a system to ensure that each Claims Collection Litigation Report (CCLR) prepared by the Center includes the information required by 14 CFR 1261.417 (e).

4. In consultation with the DOJ, establish a system to account for cases referred to and returned from Justice. The TIN will be the common identifier for each debt in referring cases to Justice. Justice will use the TIN number for case tracking and reconciliation. Periodic follow-ups should be made with Justice to ascertain the status of litigation

040407. Collection Mechanism. All funds are to be collected by electronic funds transfer (EFT) when cost effective, practicable, and consistent with current statutory authority. (FMR Volume 15, Chapter 2, Section 0206).

A. An agreement between NASA and the Department of the Treasury allows each Center to use the Remittance Express (REX) Program to receive payments. Through REX, private sector vendors can make electronic payments via the Automated Clearing House (ACH) network to be credited to the appropriate account established for each Center. The status of deposit information will be available via the CASH-LINK deposit reporting system the day following the deposit. Financial Management Service (FMS) publications, Automated Collections Made Easy, and ACH Marketing Strategies for Federal Agency Collections, provide detailed information on all available collection mechanisms. Centers are encouraged to recommend the use of Pay.gov to effect ACH payments.

B. Fedwire Deposit System (FDS). Is an electronic funds transfer system between Treasury and the Federal Reserve Bank of New York (FRBNY). This system provides NASA the capacity for:

1. Automated receipt and processing of fund transfers.
2. Computer-assisted generation of fund transfers between Treasury, FRB's and other banks utilizing the Federal Reserve Communications System (FRCS). Vendors or customers whose banks maintain an account at an FRB may wire the funds to Treasury's account at FRBNY for credit to the agency's account with same day availability. Treasury also transfers funds through the FRCS to banks that maintain an account at an FRB. The funds are transmitted via Fedwire from the remitter's financial institution (FI) to the agency's Agency Location Code (ALC) at FRBNY. FRBNY immediately transmits detailed information pertaining to the deposit via FDS to the Treasury designated bank that then formats the remittance information provided by the payee, making it available to agencies on the FMS's Data Message Retrieval System. When a wire transfer is made to a NASA ALC, Treasury will transmit a message to NASA Headquarters and also prepare and mail an SF 215, Deposit Ticket to the applicable Center or other NASA location.

C. The Intra-Governmental Payment and Collection (IPAC) System is used by NASA Centers to effect collections from other government agencies. NASA Centers also use the IPAC system to collect intra-NASA transactions.

040408. Accounting for Collections. NASA debts are processed through Treasury and will be sent to NASA on a bi-weekly basis via IPAC to the appropriate Agency Location Code. Upon receipt of reports from Treasury, collections should be accounted for in the following manner:

A. Principal should be credited to the appropriate general ledger account receivable account (11x0).

B. Interest should be credited to 801435, General Fund Proprietary Interest, Not Otherwise Classified.

C. Penalty charges should be credited to 801099, Fines, Penalties and Forfeitures, Not Otherwise Classified.

040409. Write-off and Closeout of Debt.

A. Write-off. Accounts shall be written off when one or more of the following apply:

1. The debtor cannot be located; or no assets that can be liquidated to pay the debt can be found; or the Federal statute of limitations has expired

for litigation (six years) and administrative offset (10 years) and the statutes of the State in which the debtor resides preclude further collection

2. The debt cannot be substantiated because of a lack of evidence or witnesses to validate a claim (such debt cannot be referred to IRS as taxable income)

3. The debt is considered to be legally without merit upon a determination that the debt was never owed and was erroneously classified as a debt

4. Any substantial amount of the debt cannot be collected because:

a. A judgment has been obtained and the application of all collection techniques failed to produce full collection.

b. A collection agency has been unable to collect the debt and has returned it with sufficient documentation to demonstrate the debt is uncollectible.

c. The borrower has been declared bankrupt and no further prospects for worthwhile recovery is available.

5. Estimated collection costs exceed the estimated recoverable amount.

6. The Center has been advised by FMS that all reasonable efforts to enforce collection have been exhausted and the balance of the debt should be written off.

B. Written-off accounts shall be closed, and the debtors' account ledgers removed from active files. Despite write-off, it may be appropriate to maintain subsidiary records of individual accounts so that debts may be collected by offset against future benefit claims. Collection action on closed-out accounts should only be reinstated if evidence subsequently obtained indicates that a debtor has the ability to repay a substantial portion of the debt (25 percent or more) and the statute of limitations has not yet expired. Debt referred to the DOJ cannot be written off while the claim is being litigated.

C. Closeout. Accounts written off shall be recorded with debtor identifying information in an IRS referral log, accumulated for the calendar year, and forwarded to the IRS on IRS Form 1099-C, "Cancellation of Debt." The IRS will recognize written off amounts as taxable income for debtors classified as individuals, partnerships, and sole proprietorships; The reporting requirements are as follows

1. A debt must be reported after all collection efforts have been exhausted; there is no obligation to wait to report a debt until the statute of limitation has expired
2. Amounts greater than \$600 must be reported; amounts less than \$600 may be reported
3. In addition to the principal amount owed, administrative costs and interest must be reported.
4. Amounts discharged in a Title 11 bankruptcy case are not to be reported; the bankruptcy must be documented in the files
5. In cases other than Title 11 bankruptcy, a Center must not report amounts discharged to the extent that the debtor is insolvent (i.e., liabilities exceed assets). For example, if a debtor owes \$100 and his liabilities exceed his assets by \$25 (i.e., negative net worth of \$25) before the debt is discharged, \$75 must be reported upon the discharge. The files must document that a debtor is insolvent through an assets/liabilities analysis certified by the debtor as correct under penalties of perjury
6. If the debt is compromised because (1) the debtor is unable to pay the debt within a reasonable period of time or refuses to pay the debt in full and the Government is unable to enforce collection in full within a reasonable time or (2) the cost of collecting the claim does not justify the enforced collection of the full amount, then the amount discharged in the compromise is reportable; If the debt is compromised because there is real doubt as to the Government's ability to prove its case in court for the full amount claimed, then the amount discharged in the compromise should not be reported
7. The debtor shall be provided a copy of Form 1099-C or a written statement of the impending 1099-C report by January 31 of the year following the determination that no further collection action will be taken on the debt. The 1099-C shall be sent to the IRS by February 28 of that same year; and
8. As this reporting requirement is not a statutory one, a Center should not report on Form 1099-C if the reporting of such information is prohibited by a Federal law. For debts being cross-serviced by Treasury, Centers should indicate on the FMS Agency Profile Form that Treasury should send Form 1099-C's to the IRS for debts written off. Shortly after calendar year-end, Treasury will send each Center a list of debts returned as uncollectible. Centers will send Treasury confirmation of debts written off so Form 1099-C's can be sent. Centers may reinstitute collection action on closed-out accounts if there is subsequent evidence that a debtor has new ability to pay.
9. Accounting for Write-offs.

a. Write-Off or uncollectible Receivables and Closeout Procedures. Accounts will be written off by crediting the appropriate general ledger accounts receivable account (11X0) and reversing the amount established in the allowances for losses on accounts receivable (11X9). At the end of each fiscal year, the balance in account 6310 will be closed to account 3740, Cumulative Results of Operations, accounts shall be closed, and the debtor's account ledgers removed from active files.

b. Write-Off of Uncollectible Advances. When outstanding advances are determined to be uncollectible, account 14X0, Advances will be credited, with an equal amount charged against account 6310, Uncollectible Receivables. Also, in the general ledger appropriation accounts, the same amount will be treated as a disbursement, by charging account 3230-3240-3250 as applicable and crediting account 3260.