

VA Financial Policies and Procedures
Accounts and Interest Receivables

CHAPTER 6

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0601 OVERVIEW

This chapter establishes Department of Veterans Affairs (VA) financial policies and procedures for the accounting and reporting of accounts and interest receivables, to include non-federal or public receivables and intragovernmental receivables. The [Statement of Federal Financial Accounting Standards \(SFFAS\) No. 1, Accounting for Selected Assets and Liabilities](#), recommends accounting standards for selected assets, which include the accounts and interest receivables due VA.

- Accounts receivable is an amount due from others arising from claims to cash or other assets and are recorded as assets when VA establishes a claim against another entity either based upon legal provisions, such as a due date, or the date goods or services provided. Accounts receivable include those due from the public and other Federal entities. Although loans receivables are a type of accounts receivable, they are not discussed in this chapter. Refer to Volume V, Chapter 7, *Loans Receivable (VBA)*, for guidance on the accounting aspects.
- Interest receivable is an amount owed (debt) to VA, representing accrued interest charges on delinquent accounts receivable, loans receivable, and investment securities. Interest receivable will be recognized for the amount of interest income earned but not yet received for an accounting period. Interest will be recognized as it is earned on investments. Refer to Volume XII Chapter 1A, *Interest, Administrative Costs, and Penalty Charges*, for additional information on the administration of interest on debt.

This chapter focuses on asset accounting, financial statements, and reporting requirements. To review related guidance for debt management administration and processes, and associated internal controls, refer to the following Office of Financial Policy (OFP) Volume XII, Debt Management chapters:

- Chapter 1, *VA Debt Collection Standards*
- Chapter 1A, *Interest, Administrative Costs and Penalty Charges*
- Chapter 1B, *Waiver of Debts*
- Chapter 1C, *Compromise of Debts*
- Chapter 1D, *Salary Offset for Federal Employees Indebted to U.S.*
- Chapter 1E, *Treasury Offset Program and Treasury Cross-Servicing*
- Chapter 1F, *Administrative Wage Garnishment*
- Chapter 1G, *Referrals for Enforced Collection (Litigation)*
- Chapter 1H, *Suspension of Collection Action*
- Chapter 1I, *Termination of Collection Action and Close Out of Debt*
- Chapter 1J, *Reporting Discharge of Indebtedness to IRS*
- Chapter 1K, *Records, Reports and Cost Analysis*
- Chapter 2, *Federal Accounts Receivable*
- Chapter 3, *Freedom of Information Act Fees*
- Chapter 4, *Employee Debts*

- Chapter 5, *Medical Care Debts*
- Chapter 6, *Benefit Debts*
- Chapter 7, *Vendor Debts*

0602 POLICIES

060201 ACCOUNTS RECEIVABLES. VA will recognize accounts receivables in accordance with SFFAS No. 1, *Accounting for Selected Assets and Liabilities*.

A. VA will recognize intragovernmental receivables separately from public accounts receivables.

- Intragovernmental accounts receivables consist of amounts due from other Federal entities, and are considered to be fully collectible. They are normally incurred for materials furnished, services rendered, or refunds of amounts erroneously paid by VA to another Federal agency. Because they are considered fully collectible, an allowance for losses is not required for intragovernmental receivables due.
- Public accounts receivables consist of amounts due from public entities. They include amounts due for Veterans health care, compensation, pension, and readjustment benefit overpayments to Veterans and beneficiaries; and amounts due from erroneous and over-payments to employees and other public entities such as domestic or foreign vendors, state and local governments, and foreign governments. Because public receivables may not be fully collectible, an allowance for losses is based on historical and prior experience with the public entity.

Intragovernmental and public receivables are treated differently because of the different legal and administrative requirements and concepts that apply to them. Refer to OFP Volume XIII Chapter 2, *Federal Accounts Receivable*, for information specific to the debt administration of federal accounts receivables; Volume II Chapter 11, *Reimbursable Agreements*, for information specific to reimbursable activity; and Volume VII Chapter 5, *Financial Reporting - Intragovernmental Activity and Reconciliations*, for reporting information.

B. VA will separately recognize entity receivables from non-entity receivables.

- Entity receivables are amounts that VA may claim for payment from other federal or nonfederal entities and that VA is authorized by law to include in its obligational authority or to offset its expenditures and liabilities upon collection.
- Non-entity receivables are amounts that VA collects on behalf of the U.S. government or other entities, and VA is not authorized to spend. Receivables not available to VA are non-entity assets and should be reported separately from receivables available to VA.

C. VA will maintain accounts receivables according to type, such as refund receivables, reimbursement receivables, and loans receivable.

1. Refund receivables are claims for payment resulting from transactions such as returns in advances, collections of improper payments (made in error or overpayments) or reductions of previously recorded expenditures that qualify as refunds. VA may retain and deposit certain receipts or refunds. All refunds will be credited as prescribed by statutory authorities and appropriations law. Refer to OFP Volume V Chapter 7F, *Refunds and Rebates*, for the proper application and deposit of refunds; and Volume VII Chapter 9, *Financial Reporting - Erroneous and Improper Payment Reporting under OMB Circular A-123 Appendix C*, for additional information on improper payment refunds.

a. Refunds due from Federal sources will recover budgetary authority upon establishment of the debt when a refund payable has been obligated by the refunding account.

b. Refunds due from non-Federal sources will recover budgetary authority when the cash is collected.

2. Reimbursement receivables are claims for commodities or services furnished, or to be furnished, and which by law may be credited directly to appropriations. An example of this type is a claim for payment resulting from contracts or agreements made with non-Federal entities.

3. Loans receivables are claims for payment based upon an amount owed by a borrower as a result of a contract (loan), e.g., VBA direct or guaranteed loans. Refer to Volume V, Chapter 7, *Loans Receivable (VBA)*, for guidance on the accounting aspects of Loans Receivable.

060201.01 RECORDING ACCOUNTS RECEIVABLES.

A. VA will record an accounts receivable when a claim to cash or other assets against another entity has been established. The established date may be based on legal provisions, such as a payment due date or the date goods or services were provided. If the exact amount is unknown, a reasonable estimate should be made.

B. VA finance activities will establish and maintain accounts receivable records in a current status by program, type of debt, and appropriation.

1. VA will record an accounts receivable from the sale of goods and services in the accounting period when earned, or when a debt is recognized. Receivables for exchange transactions will be recorded at the full value of goods or services provided, or as mandated by legislation or regulation.

2. VA will post payments, adjustments, or corrections to accounts receivable promptly and within the accounting period when the adjustments or corrections occur. Payments received from the debtor will be applied first to penalties and administrative costs, second to interest receivable, and third to outstanding debt principal in accordance with 38 Code of Federal Regulations (C.F.R.) 1.915(e). (Refer to Section 060202B)

3. VA will maintain receivables until they are collected or determined to be uncollectible in whole or in part. To the extent that collection of the full amount of the receivable is not probable, an allowance for the uncollectible amount (allowance for loss) will be established.

C. VA will manually establish identified unbilled accounts receivable as an accrued receivable in the financial records at the end of each accounting month, reversing such entries on the first day of the subsequent month.

060201.02 AGING ACCOUNTS RECEIVABLES. SFFAS No. 1 states that a systematic methodology will be used to measure losses based on analysis of both individual accounts and a group of accounts as a whole.

A. VA will age accounts receivable on a periodic basis by calculating the length of time the individual accounts have been outstanding since the due dates.

1. VA finance activities will regularly produce detailed aging schedules for all outstanding receivables and make this data available to the appropriate CFO office(s).

2. The allowance for loss on the public accounts receivable process, discussed below, is determined, in part, from the aging schedule for the period of time outstanding for all receivable balances.

B. VA will prepare accounts receivable aging information, monthly and quarterly, as part of its Treasury Report on Receivables (TROR) and other periodic monitoring and controls submissions. The TROR is prepared quarterly. Refer to Volume XII Chapter 1K, *Records, Reports, and Cost Analysis*, for additional information.

1. The analysis will be performed prior to the normal billing process.

2. The original debt and any additional charges, including related administrative fees, interest, and penalties, will be aged as of the date the original debt became delinquent.

060201.03 ALLOWANCE FOR LOSS ON PUBLIC ACCOUNTS RECEIVABLE.

VA will establish an allowance for loss on public receivables to the extent that it is more likely that the receivable will not be totally collected.¹ An allowance for estimated uncollectible amounts should be recognized to reduce the gross amount of public

¹ “More likely” means more than a 50 percent chance of loss.

receivables to its net realizable value. The allowance for uncollectible amounts should be reestimated on each annual financial reporting date and when information indicates that the latest estimate is no longer correct. Because intragovernmental receivables are considered fully collectible, an allowance for losses is not required to be recognized. Refer to Section 060501.04, Allowance for Loss on Public Accounts Receivable.

060201.04 TERMINATION, CLOSE-OUT, AND WRITE-OFF OF PUBLIC ACCOUNTS RECEIVABLES.

VA will identify and close out or write off uncollectible accounts receivable in accordance with OFP Volume XII, Chapter 1I, *Termination of Collection Action and Close Out of Debt*, and Chapter 1K, *Records, Reports, and Cost Analysis*, for additional information, delegation of authority, and reporting requirements. Refer to Section 060501.04, Termination, Close-Out, Write-Off, and Reversal of Public Accounts Receivables for additional information.

060201.05 INTERNAL CONTROLS. VA will establish adequate internal controls to ensure accurate and timely recording, documenting, and maintaining of accounts receivable.

A. Appropriate separation of duties requires several individuals being involved in the recording and reporting of both public and intragovernmental accounts receivable activity. Ideally, no one person will control or perform all key aspects of an accounts receivable transaction or event from beginning to end. For example, the person who opens the mail and prepares a listing of checks received will not be the person who maintains the accounts receivable records.

B. VA finance activities will establish and maintain, for reporting and accounting purposes, accounts receivable records in a current status, including records of debts waived, compromised, suspended, terminated, or referred to the Regional Counsel or Department of Justice for enforced collection. Subsidiary records will be reconciled to the control accounts on a monthly basis.

C. The Chief of the Finance Activity and the Director of the VA Debt Management Center (DMC) are responsible for coordinating their actions to ensure public accounts receivable are recorded, aged, closed out, or written-off as required. Adequate documentation will be maintained to support all of these actions. VA finance activities that refer accounts receivable to other VA components or external agencies for additional collection action or advice are responsible for tracking the current status of those receivables for reporting and accounting purposes.

D. Payroll offices, legal offices, procurement offices, or any entity that determines a refund is due VA will notify the appropriate VA finance activity of the need to record an accounts receivable in the Financial Management System (FMS).

060202 INTEREST RECEIVABLE.

A. VA will recognize and record interest receivable, to include interest receivable due on investments and debt, in accordance with Statement of Federal Financial Accounting Standards (SFFAS) No. 1, *Accounting for Selected Assets and Liabilities*, the applicable United States Code, and Volume XII Chapter 1A, *Interest, Administrative Costs, and Penalty Charges*, Refer to [Volume V, Chapter 5, Investments](#), for information specific to VA investments.

1. VA will charge the minimum annual interest rate equal to the U.S. Treasury's Current Value of Funds Rate on delinquent debts. The rates are published annually by the Secretary of the Treasury in the *Federal Register* and are available on the Financial Management Service's Web site. The rate of interest will remain fixed for the duration of the delinquent debt.

2. VA will recognize and record interest receivable in the proper U.S. Standard General Ledger (USSGL) accounts for the amount of interest income earned but not yet received for an accounting period. The following standards will be applied for recognition of interest receivable:

- a. Interest will be recognized as it is earned on investments.
- b. Interest will be recognized on outstanding delinquent accounts receivable against persons and entities in accordance with 060202A.
- c. VA will not recognize interest receivable on Federal accounts receivables.
- d. Interest will not be recognized on accounts receivable or investments that are determined to be uncollectible unless the interest is actually collected.

B. VA will accrue interest on outstanding debt when the amount of the outstanding debt is not paid in full by the established due date, resulting in a delinquency of the indebtedness. Interest receivable shall continue to accrue until the debt is paid in full or otherwise resolved through compromise, waiver of the charges or termination of collection action.

1. VA will apply payments received from the debtor first to penalties and administrative costs, second to interest receivable and third to outstanding debt principal in accordance with 38 Code of Federal Regulations (C.F.R.) 1.915(e).

2. VA will continue to accrue interest receivable until the debt is paid in full or otherwise resolved through compromise, waiver of the charges or termination of collection action.

C. VA will establish an allowance for loss to the extent that collection of the full amount of the interest receivable is more likely than not to be totally collected. An allowance for estimated uncollectible amounts should be recognized to reduce the gross amount of

receivables to its net realizable value. The allowance for uncollectible amounts should be reestimated on each annual financial reporting date and when information indicates that the latest estimate is no longer correct.

060203 REVERSAL OF ERRONEOUS, INVALID, OR UNSUBSTANTIATED ACCOUNTS AND INTEREST RECEIVABLES.

A. VA will review receivables for completeness, accuracy and supportability on a monthly basis. Any account receivable found to be erroneous, invalid, or unsupported will no longer be classified as collectible. If it is determined the debt was never owed (e.g., a duplicate name and VA records reflected the wrong person) and should not have been classified as an account receivable, the entries which established the receivable will be reversed and no IRS 1099-C report will be generated.

B. If the documentation necessary to support a claim is no longer available, the accounts receivable will be reversed. In this case, VA would be precluded from attempting collection action without any valid support. Justification for reversing this type of account receivable will be documented and maintained for future audit purposes. Like the example above, no IRS 1099-C will be generated.

C. If it is determined VA lacks a legitimate basis for the claim, either as a result of a regular review of receivables or a claims dispute, the entries that established the accounts receivable will be reversed. Again, no IRS 1099-C will be produced.

D. If an erroneous, invalid or unsupported accounts receivable is to be reversed, the reversing entry will be recorded in the period in which the determination was made indicating the receivable was invalid.

060204 CANCELED (CLOSED) APPROPRIATIONS.

A. On September 30 of the 5th fiscal year after the period of availability for obligation of a fixed appropriation account ends, the appropriation account will be closed and any remaining balance (whether obligated or unobligated) in the account shall be canceled (closed), and thereafter, shall not be available for obligation or expenditure for any purpose (31 U.S.C. 1552).

B. Canceled (closed) appropriations will not relieve VA of the responsibility to pursue collection or recovery of debt and additional charges and the associated accounting. Outstanding accounts receivables will be maintained in the accounting records regardless of whether the appropriation has been canceled (closed). VA will need to continue its collection activity.

C. If VA is not able to collect the debt, the receivable will then be reviewed for possible termination and close out or write off), in accordance with VA's policy on debt management. Collections received after the appropriation is canceled (closed) will be

deposited in the Department of the Treasury's (Treasury) Miscellaneous Receipts Account 3200, Collections of Receivables from Canceled Accounts.

060205 REPORTING ACCOUNTS RECEIVABLE AND INTEREST RECEIVABLE.

060205.01 INTRAGOVERNMENTAL ACCOUNTS RECEIVABLES. Refer to Volume V, Chapter 1, *Intragovernmental vs. Governmental (Public) Assets*, and Volume VII Chapter 5, *Financial Reporting - Intragovernmental Activity and Reconciliations*, for additional reporting information.

A. Receivables from Federal entities are intragovernmental in nature and will be reported separately from non-Federal receivables, as described in SFFAS No. 1.

B. Receivables will be classified as entity receivables and non-entity receivables.

1. VA will combine entity and non-entity intragovernmental accounts receivables on the face of the balance sheet.

2. VA will disclose non-entity assets in a note to the financial statements.

C. VA will reconcile accounts receivable with its trading partners, under intragovernmental agreements, for transactions recorded in the same reporting period and comply with the Treasury Financial Manual, Volume I, Part 2, Chapter 4700, *Agency Reporting Requirements for the Financial Report of the United States Government*, including the need for reconciliations between the entity ordering goods and services and the entity providing the goods and services.

D. Intragovernmental receivables due from other VA organizations will also be excluded from any external reporting of receivables (e.g., Treasury Report on Receivables).

060205.02 PUBLIC ACCOUNTS RECEIVABLE.

A. VA will complete a Treasury Report on Receivables (TROR) quarterly. Refer to Volume XII Chapter 1K, *Records, Reports, and Cost Analysis*, for additional information on the TROR procedure and reconciliation requirements. Intragovernmental receivables due from other VA organizations are excluded from the TROR.

VA is required to regularly provide information concerning its non-tax receivables and delinquent debts to Treasury's FMS for inclusion in the TROR. The TROR serves as a management report which informs Federal decision-makers of the gross book value of the debts held by the Federal Government and the actions taken to enforce collection of the Government's receivables.

B. VA will report accounts receivable in the annual audited financial statements of the Department.

1. Public and intragovernmental receivables are reported separately.
2. Receivables will be classified as entity receivables and non-entity receivables. VA will disclose non-entity assets in a note to the financial statements.
3. Receivable amounts are identified on the Balance Sheet, and information concerning the composition and aging of receivables is disclosed in the Notes to the Financial Statements.

C. Reconciliation of Public Accounts Receivables.

1. VA will reconcile its public accounts receivable balances reported in the annual audited financial statements. These balances will reflect the same information VA has entered into the Federal Agencies' Centralized Trial Balance System I (FACTS I) as well as the accounts receivables reported on the TROR.
2. Accounts receivable general ledger balances will be reconciled monthly with the subsidiary ledgers.

060205.03 INTEREST RECEIVABLE. VA will report interest receivable within the financial statements, as required by OMB and Treasury.

A. VA will report interest receivable from Federal entities² separately from interest receivable from the public.

B. VA will disclose interest accrued on uncollectible accounts receivable in the consolidated financial statements until the interest payment requirement is officially waived by VA or the related debt is written off. See OMB Circular A-136 and SFFAS No. 1.

0603 AUTHORITY AND REFERENCES

060301 [31 U.S.C. 1552, Procedure for Appropriation Accounts Available for Definite Periods](#)

060302 [31 U.S.C. 3711-3720, Money and Finance, Subtitle III, Financial Management, Claims of the United States Government](#)

060303 [38 U.S.C. 5315, Interest and Administrative Cost Charges on Delinquent Payments of Certain Amounts Due the United States](#)

060304 [31 C.F.R. 901.9, Interest, Penalties, and Administrative Costs](#)

² Generally interest received is on investment or loan type activities.

- 060305 31 C.F.R. 902, Standards for Compromise of Claims
- 060306 31 C.F.R. 903, Standards for Suspending or Terminating Collection Activity
- 060307 38 C.F.R. 1.915, Interest, Administrative Costs, and Penalties
- 060308 Statement of Federal Financial Accounting Standards (SFFAS) No. 1, *Accounting for Selected Assets and Liabilities*
- 060309 OMB Circular A-129, *Policies for Federal Credit Programs and Non-Tax Receivables*
- 060310 OMB Circular A-136, *Financial Reporting Requirements*
- 060311 Treasury Financial Manual, *United States Standard General Ledger (USSGL)*
- 060312 Treasury Financial Manual (TFM) Volume 1, Supplement, *Managing Federal Receivables*
- 060313 TFM Volume I, Part 2, Chapter 4100, Supplement, *Instructional Workbook for Preparing the Treasury Report on Receivables and Debt Collection Activities*
- 060314 TFM Volume I, Part 2, Chapter 4700, *Agency Reporting Requirements for the Financial Report of the United States Government*
- 010315 Financial Systems Integration Office (FSIO), Federal Financial Management Standards, *Common Government-wide Accounting Classification Structure*, July 2007
- 010316 OFP Publications Library

0604 ROLES AND RESPONSIBILITIES

060401 The Assistant Secretary for Management/Chief Financial Officer (CFO) oversees all financial management activities relating to the Department's programs and operations as required by the Chief Financial Officers Act of 1990 and 38 U.S.C. 309. Responsibilities include the direction, management and provision of policy guidance and oversight of VA's financial management personnel, activities and operations. The CFO establishes financial policy, systems and operating procedures for all VA financial entities and provides guidance on all aspects of financial management.

060402 Under Secretaries, Assistant Secretaries, Chief Financial Officers, Fiscal Officers, Chiefs of Finance Activities, Chief Accountants, and other key officials are responsible for ensuring compliance with the policies and procedures set forth in this chapter.

060403 The Office of Finance, Office of Financial Policy (OFP) is responsible for developing, coordinating, reviewing, evaluating, and issuing VA financial policies, including those that impact financial systems and procedures for compliance with all financial laws and regulations. OFP is also responsible for working with the Office of Inspector General's independent contract auditors on VA's annual Consolidated Financial Statements audit and preparing and reviewing Consolidated Financial Statements, Notes and Required Supplementary Information, etc. Within OFP, the Management and Financial Reports Service (047GB) is responsible for preparing various VA comprehensive financial reports, such as those required by the President and the Executive Branch, including OMB/Treasury reports from the Hyperion (MinX) software. In addition, the Cash, Cost, and Debt Management Division is responsible for developing policies and procedures for cash, cost, and debt management in accordance with the Debt Collection Improvement Act of 1996 and other Governmentwide programs and initiatives.

060404 The Office of Budget (Budget) provides guidance and support to the Department's Administrations and staff offices on matters relating to budget formulation and execution. The ultimate objective of the formulation process is to ensure the timely, accurate and informed submission of VA's budget request to OMB and the President's budget request to Congress. Budget serves as the primary liaison with OMB and relevant congressional committees during the formulation process, defending and promoting VA's program plans and budget estimates before examiners and committee staff. Budget monitors VA's budget execution process, which starts with the apportionment process. Budget uses OMB's Web-based apportionment system to send apportionment requests to OMB. In addition, Budget uses the apportionment application to help prepare apportionment requests, send requests to OMB, and run reports against previously-approved apportionments.

060405 The VA Debt Management Center (DMC), located in St Paul, MN, is responsible for collecting debts (under its jurisdiction) resulting from an individual's participation in VA's education, pension or disability compensation programs. The DMC consults with Veterans and their families in the management and liquidation of their benefit debts.

060406 Regional Counsels (RC)³ and designated staff attorneys are authorized, in any matter within the jurisdiction of VA's General Counsel, delegated or otherwise assigned, to conduct investigations, examine witnesses, take affidavits, administer oaths and affirmations and certify copies of public or private documents. The RC is authorized to, and shall, under the guidance of the General Counsel, provide legal services, advice, and assistance to VA installations within the region assigned. In any area of regulatory, assigned or delegated responsibility, the RC may delegate to staff members or other VA attorneys authority to perform, to the extent specified, any legal function under the professional direction of the RC. The RC may modify, suspend, or rescind any

³ Refer to [38 C.F.R. 14.501](#), "Functions and Responsibilities of Regional Counsels," for additional information related to the RC.

delegated authority.

060405 The Chief of the Finance Activity is responsible to ensure appropriate procedures are followed for the administration of VA's debt collection activities. Any reference to the Chief of the Finance Activity also includes the Director of the DMC, where appropriate.

0605 PROCEDURES

060501 RECORDING ACCOUNTS RECEIVABLE.

060501.01 INTRAGOVERNMENTAL RECEIVABLES. Intragovernmental receivables are recorded as assets from the time of the act giving rise to such claims is completed until the time the receivables are collected or determined to be uncollectable, in whole or in part. Refer to OFP Volume XIII Chapter 2, *Federal Accounts Receivable*, for information specific to the administration of federal receivables.

A. VA will ensure that written agreements with an ordering entity contain the requirements for authorized goods to be sold or services to be provided, the amounts due and the date payment is required. Without these requirements, VA may not have legal authority to establish an accounts receivable based upon a due date. Refer to Volume I Chapter 11, *Reimbursable Agreements*, for procedures related to intragovernmental agreements.

B. VA will record an accounts receivable arising from transactions with other Federal departments and agencies in the accounting month during which the associated revenue is earned and/or claims are established.

C. VA will not write off or compromise intragovernmental accounts receivables. If a federal debt is determined to be uncollectible due to a lack of valid documentation or a reduced amount is agreed upon, the billing (accounts receivable) is canceled or reduced. The decision to cancel or reduce a billing to another Federal agency is the responsibility of the Chief of the Finance Activity or their designee.

060501.02 PUBLIC ACCOUNTS RECEIVABLE.

A. VA finance activities will record public accounts receivables as assets from the time they are recognized, until the time they are collected or determined to be uncollectible in whole or in part.

B. VA finance activities will recognize public accounts when the revenue is earned or, in the case of a refund receivable, when the need to make a collection is identified. Receivables for exchange revenue transactions⁴ will be recorded at the full value of goods or services provided. To the extent collection of the full amount of the receivable

⁴Exchange revenues arise when an entity provides goods or services to the public for a price.

is not probable, an allowance for possible uncollectible or contractual adjustments will be established (see 060509, Allowance for Loss).

C. VA finance activities will record a valid receivable for claims rendered for third-party medical care, including workers' compensation, no-fault, tort feason and reimbursable insurance cases.

D. Payroll offices, legal offices, procurement offices, or any VA entity that determines a refund is due VA will notify the appropriate VA finance activity of the need to record an accounts receivable in the accounting system. Such notification will be made in the same accounting cycle that the debt is recognized.

E. VA's automated accounting system, as well as the Defense Finance and Accounting Service (DFAS) system, will generate (or increase) refund receivables for Federal Employees Health Benefits (FEHB) amounts that are advanced on behalf of all VA employees who are in an insufficient pay or leave without pay (LWOP) status, and for pre-tax benefits for FEHB amounts that can be repaid via payroll deductions.⁵ Receivables will not be automatically generated for employees of the Veterans Canteen Service (VCS). Local payroll and accounting offices will continue the manual process of recording receivables for VCS employees.

060501.03 ALLOWANCE FOR LOSS ON PUBLIC ACCOUNTS RECEIVABLE. VA will establish an allowance for loss to the extent that collection of the full amount of the receivable is more likely than not to be totally collected.

A. VA will establish amounts in the allowance accounts, based on historical experience with losses, to reduce the gross amount of receivables to its net realizable value. The journal entries (i.e., proprietary accounting) are recorded using the general ledger account transactions provided in the VA Financial Services Center's Web site link at <https://vaww.fmsaccountresource.fsc.va.gov/>.⁶

1. The analytical process begins by preparing a summary of accounts receivable balances (outstanding for designated periods of time) which will help to identify the portion of accounts receivable (outstanding and accrued) that may be uncollectible. An estimate is then made of those receivables likely to be uncollectible.

2. Specific customer receivable balances representing significant amounts will be individually analyzed.

B. The calculated allowance will be reviewed by designated personnel with knowledge of the outstanding accounts receivable balances.

⁵Also included are invalid FEHB/LWOP debts for eligible employees on military leave or on disability retirement.

⁶Web site only available within VA.

C. The calculated allowance will be approved or disapproved by designated personnel, other than personnel calculating the proposed allowance, with knowledge of the outstanding accounts receivable balances. Upon approval, an allowance account is established in the General Ledger.

D. For accounting purposes and financial statement reporting, VA will periodically recalculate and adjust the allowance accounts by fund (i.e., Allowance for Loss on Accounts Receivable and Allowance for Losses on Penalties, Fines and Administrative Fees Receivable), but not less frequently than annually. A significant fluctuation in the allowance calculation, from period to period, may impact accounting operations.

060501.04 TERMINATION, CLOSE-OUT, AND WRITE-OFF OF PUBLIC ACCOUNTS RECEIVABLES. Procedures for termination, write-off, or close-out of accounts receivable include: (1) analyzing, reviewing and approving the validity of the debt; (2) classifying debt according to collection status; (3) determining reversal, write-off, or close-out of debt; (4) obtaining required approval for termination action; (5) recording general ledger entries; and (6) notifying the Internal Revenue Service (IRS) about closed out debt, as applicable.

Refer to Volume XII, Chapter 1I, *Termination of Collection Action and Debt Close Out*, for approval authority and procedures related to write-off and close-out, Chapter 1J, *Reporting Discharge of Indebtedness to IRS*, for notification of close-out, and Chapter 1K, *Records, Reports, and Cost Analysis*, for reporting requirements.

A. VA will review each debt that is a candidate for termination, write-off, or close-out and clearly identify those that appear eligible. At times, the program decision to terminate collection action and the decision to write off a debt may coincide.

B. VA will use selection criteria to determine the appropriate classification, to include delinquent debt age category, customer type, and receivable type. As described in Treasury Financial Manual (TFM) titled Managing Federal Receivables, OMB Circular A-129 and 31 C.F.R. 903.3, Termination of Collection Activity, each delinquent debt (accounts receivable) will be reviewed to determine whether it has value for accounting purposes. If the accounts receivable meets the write-off selection criteria, it will be initially written off for accounting purposes. Writing off a debt does not mean the debt is closed-out; there may still be potential for collection.⁷

C. Once receivables are written off, VA will further classify write-offs into two distinct categories: Currently Not Collectible (CNC) or Close-Out, in accordance with OMB Circular A-129. VA will perform an analysis to determine which classification would best describe each write-off. Refer to Volume XII Chapter 1K, *Records, Reports, and Cost Analysis*, for additional information on CNC and TROR reporting. For close-out, VA will

⁷ Termination of collection action is a legal procedure, which is separate and distinct from the accounting procedure of write-off.

determine whether the debt must be reported to the IRS. Refer to Volume XII Chapter 1J, *Reporting Discharge of Debt to the IRS*, for additional information on the process.

D. VA will maintain the original debtor records and the appropriate documentation to substantiate write-off and close-out actions including evidence of the applicable reviews and approvals. Documentation will also be maintained in the event the debtor pays VA in the future.

1. Amounts being written off will go through the appropriate allowance account and may not be charged directly to an expense or asset account. The total debt amount includes interest, penalties and administrative charges, if applicable.
2. The write-off of a customer accounts receivable (uncollectible) is captured in the subsidiary ledger, and entries are recorded in applicable accounts in the general ledger. The transaction is recorded using the general ledger account transactions provided in the VA Financial Services Center's Web site FMS General Ledger Account and Proforma Transaction Resource link, <https://vaww.fmsaccountresource.fsc.va.gov/>.
3. If the amount of accounts receivable written off exceeds the balance in the allowance account, the allowance account will be increased before the receivables are written off.

E. Write-Off of Third Party Reimbursement Receivables.

1. Only the General Counsel has the authority to write off (terminate) Medical Care Collections Fund (MCCF) account third party insurance claims, pursuant to 38 U.S.C. 1729(b)(2)(c), 38 C.F.R. 2.6(e)(9) and 38 C.F.R. 1.942(d). Local Activity officers (i.e., those at all VA facilities) do not have authority to write off third party insurance claims.
2. The Fiscal Year-End Financial Reports and Statements Certification require certification that all accounts receivable are correct as of September 30. To support this certification, each VA medical facility and regional office will have documentation to support every established receivable and subsequent adjustments, deposits and write-offs.
3. Third party reimbursement receivables are adjusted by an estimate of contractual adjustments under the MCCF account.
4. Actual contractual adjustments are to be recorded at the time of notification by the insurance carrier.

F. VA will maintain responsibility for financial reporting associated with the debt.

060502 INTEREST RECEIVABLE.

A. VA will record interest receivable using the following USSGL⁸.

1. Interest Receivable (USSGL Account 1340). Interest Receivable is the account commonly used to account for amounts owed that represent accrued interest charges on delinquent accounts receivable, loans receivable, and investment securities. The normal balance for this account is a debit.

2. Allowance for Loss on Interest Receivable (USSGL Account 1349). “Allowance for Loss on Interest Receivable” is used to account for the estimated amount of uncollectible interest receivables to accurately report interest receivables at their net realizable value. The normal balance for this account is a credit.

a. The estimated amount of loss due to uncollectible interest receivable comes from either credit programs before fiscal 1992 or other interest receivable for all years. This account excludes the allowances for loans subject to credit reform, which are recorded in USSGL Account 1399, Allowance for Subsidy.

b. The process for determining an allowance for uncollectible amounts will be based on historical analysis of interest receivables related to accounts receivable (debt) that have been determined to be uncollectible. Increase the account by the amount estimated to be uncollectible and decrease the account by the actual amount subsequently written off.

B. VA will deposit interest into the appropriate General Fund Proprietary Receipts, Not Otherwise Classified, All Other (3220), or General Post Fund (8180) account.

1. Interest collected on loan guarantee benefit debts will be deposited into the Financing Accounts.

2. Interest collected will be refunded to a debtor, if applicable, when the debt is waived or cleared by an administrative action after collection.

0606 DEFINITIONS

060601 Accounts Receivable. Receivables arise from claims against another entity. Accounts receivable may result from the performance of services, the delivery of goods, refunds due or court ordered assessment. Receivables include, but are not limited to, monies due for indebtedness. Examples of indebtedness include reimbursements to VA for work performed for other parties, overpayments to vendors and employees as well as benefits payments, dishonored checks, interest, fees, claims, damages or any other event resulting in a debt owed VA. The accounts receivable USSGL account

⁸For additional guidance on account descriptions and the relevant detailed posting transactions, see [USSGL Treasury Financial Manual, Search Tool](#).

number is 1310. Sources of an accounting transaction entry include billing documents, cost reports, receiving reports, payroll records, cash collection vouchers and collection and disbursing documents. The normal balance for this account is a debit.

060602 Allowance for Loss on Accounts Receivable. The estimated amount of uncollectible accounts receivable from the public that allows VA to report the net realizable value (i.e., net estimate of receivables reasonably likely to become uncollectible). Increase the account by the amount estimated to be uncollectible. Decrease the account by the actual amount subsequently written off. The amount will include outstanding advances. The normal balance for this account is a credit.

060601 Allowance for Loss on Interest Receivable. The estimated amount of uncollectible Interest Receivables reported as an offset so that interest receivables can be reported at their net realizable value.

060603 Close-out. Close-out occurs after determination has been made that additional collection efforts on a debt would be futile and collection efforts will be terminated. 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 indicating the debt has been discharged.

060605 Collection Actions. Actions that include issuance of demand letters and referral to debt collection entities such as the Department of the Treasury.

060606 Compromise. An agreement by the Government to accept from a debtor as payment in full an amount less than the full amount of the established debt.

060607 Currently Not Collectible (CNC). This means debts have been written off; however, the agency intends to continue cost effective debt collection action. Also, this means debts that have been terminated, but not closed out and which VA may still collect in the future. While this designation may be used for any such debts, the primary use of this designation is for those debts VA has terminated, and thus removed from the Department's financial records, but have been referred to Treasury for the Treasury Offset Program (TOP) and/or for cross-servicing.

060608 Delinquent. In the case of most administrative debts, delinquency occurs when payment is not made by the due date specified in the initial billing notice (usually 30 calendar days from the date the notice is mailed) or an applicable agreement (including a post-delinquency payment agreement), unless other satisfactory payment arrangements have been made.

060609 Delinquent Receivables. Receivables not paid by the date specified in the initial written demand for payment or applicable agreement unless other payment arrangements have been made. Delinquent receivables 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.

060610 Entity Assets. These are assets the reporting entity has authority to use in its operations. The authority to use funds in an entity's operations means the entity management has the authority to decide how funds are used, or management is legally obligated to use funds to meet entity obligations (e.g., repay loans from Treasury).

060611 First-party Accounts Receivable. A debt owed by an individual and resulting from the provision of medical care or services under the authority of 38 U.S.C. Chapter 17. These debts include prescription copayments, inpatient and outpatient copayments, extended care copayments, per diem charges for hospital care or nursing home care, and debts resulting from the provision of care on a humanitarian basis or to individuals who are not eligible for VA medical benefits.

060612 Interest Receivable. Amount owed representing accrued interest charges on delinquent accounts receivable, loans receivable and investment securities.

060613 Intragovernmental Receivables. Claims of a Federal entity against other Federal entities.

060614 Intragovernmental Transactions. Business activities occurring within or between Federal agencies.

060615 More Likely Than Not. The event has a better than 50 percent chance of occurring.

060616 Non-Entity Assets. Assets held by an entity but are not available to the entity. An example of non-entity assets is income tax receivables, which the IRS collects for the U.S. Government, but has no authority to spend.

060617 Non-Federal Receivables. Claims by VA or an entity within the Federal Government against non-Federal entities. The term "non-Federal entities" encompasses public entities, domestic and foreign individuals, and organizations outside of the U.S. Government. Non-Federal receivables are also called public receivables.

060618 Penalties, Fines and Administrative Fees Receivable (Account Number 1360). The amount owed representing penalties, fines and administrative fees that have been assessed as a result of delinquent accounts receivable and loans receivable. The normal balance for this account is a debit.

060619 Recognize (or Recognition). Recognition is the process of formally recording or incorporating an item into the financial statements of an entity as an asset, liability, revenue, expense, or the like. A recognized item is depicted in both words and numbers, with the amount included in the statement totals. Recognition comprehends both initial recognition of an item and recognition of subsequent changes in or removal of a previously recognized item. (FASAB Appendix E, Consolidated Glossary)

060620 Refund Receivables. Claims for payment resulting from (1) payments made in error, (2) overpayments made to vendors or benefit recipients, (3) items rejected and returned, and (4) returns of authorized advances.

060621 Reimbursements. Amounts earned and collected for goods or services furnished.

060622 Reimbursement Receivables. Claims for payment of services furnished and which by law may be credited directly to appropriations as revenue. Two examples of reimbursement receivables are: (a) first-party accounts receivable (see 060610); and (b) Medical Care Collections Fund (MCCF) third-party accounts receivable (see 060624).

060623 Revenue. The inflow of resources brought into VA, earned through exchange transaction activity or received through non-exchange transactions. This may include sales of products (sales), rendering of services (revenues) and earnings from interest, dividends, lease income and royalties.

060624 Termination. A decision by VA to stop collection activity on an accounts receivable. This decision is made when it is determined further collection activity will be fruitless, or not cost effective, at the time. Terminated debts may be reactivated and collected if they were written off, but not closed out.

060625 Third Party Receivables. Claims against a third party (i.e., insurance company, workers' compensation carrier, employer or other responsible person) for reimbursement to VA for the cost of treating a Veteran for a nonservice-connected disability or condition when that party is obligated to provide for or pay the expenses of such treatment, under the authority of 38 U.S.C. Chapter 17. VA health care facilities generate claims for nonservice-connected treatment either provided by VA or obtained at VA expense.

060626 Trading Partner. An agency, department, bureau or other Federal entity which is a party to intragovernmental transactions with another Federal agency.

060627 Write off. The process of reducing receivables in the accounting records⁹ as a result of determining certain receivables are uncollectible and resulting in the receivable as having no value on the agency's financial and management reports. All write-offs will be made through allowance accounts for bad debts; under no circumstances are debts to be written off directly to expense. Write-off of debt does not automatically imply the end of collection efforts as close out does. If a debt is written off, collection efforts may continue at a later date. Write-offs are also distinguished from reversals of receivables, which result from corrections or a determination there is not a valid basis for the claim by VA.

⁹In VA's VistA system, the option is to "terminate" a bill. Once terminated, the bill has a current status of "Write-Off." The debt still shows a balance. VistA does not have two separate processes (i.e., write-off and close-out) for this.

0607 RECISSIONS

060701 OFP Volume V, Chapter 6, *Accounts Receivable*, August 2009

060702 OFP Volume V, Chapter 6A, *Interest Receivable*, September 2010

0608 QUESTIONS

Questions concerning these financial policies and procedures should be directed as follows:

VHA	VHA CFO Accounting Policy (10A3A) (Outlook)
VBA	VAVBAWAS/CO/FINREP (Outlook)
All Others	OFP Accounting Policy (Outlook)

0609 REVISIONS

Section	Revision	Office	Effective Date
Vol V Ch 6 Accts Receivable & Ch 6A Interest Receivable	Merged chapters and updated information as needed. Chapter focus revised to the accounting aspect rather than the administration of debt and authority for interest. References to other chapters included.	APPS (047GA1)	January 2013
Ch 6 & Ch 6A 0601 Overview	Detailed information moved into appropriate policies and procedures sections. Reorganized information.	APPS (047GA1)	January 2013
Ch 6 Accts Receivable	Deleted sections related to TROR, and IRS reporting deleted. Reference to other chapters included.	APPS (047GA1)	January 2013
Ch 6 Accts Receivable	Write-off and close-out updated to clarify difference. Authorities for approval of termination and close-out deleted. Reference to other chapters included.	APPS (047GA1)	January 2013
Ch 6A Interest Receivable	Deleted reference for 1992 decision for not charging interest on compensation and pension debts.	APPS (047GA1)	January 2013
Ch 6A Interest Receivable	Deleted detailed authority information for interest. Reference to Vol XII Ch 1, Interest, Admin Costs, and Penalty Charges included.	APPS (047GA1)	January 2013