0201 OVERVIEW

This chapter establishes the Department of Veterans Affairs (VA) financial policies and procedures for the collection of debts owed to VA by other Federal entities. Federal accounts receivable are normally incurred for materials furnished or services rendered or are refunds of amounts erroneously paid by one Federal entity to another.\(^1\)

020101 AUTHORITY FOR FEDERAL ACCOUNTS RECEIVABLE DEBT. VA may exercise debt collection authority on Federal accounts receivable in accordance with the United States (U.S.) Government Accountability Office’s (GAO) Principles of Federal Appropriation Law (see 020303).

020102 ACTIONS FOR FEDERAL ACCOUNTS RECEIVABLE DEBT. VA will take prompt action as appropriate for collection on Federal accounts receivable.

0202 POLICIES

020201 AUTHORITY FOR FEDERAL ACCOUNTS RECEIVABLE DEBT. The Chief of the Finance Activity or designee has the responsibility of collecting debts from Federal entities and ensuring the debts are valid claims against other Federal entities.

020202 ACTIONS FOR FEDERAL ACCOUNTS RECEIVABLE DEBT.

A. VA will take collection action on a timely basis with effective follow-up for Federal accounts receivable.

B. VA will not assess additional charges to the balance due from other Federal entities.

C. VA will maintain all supporting documentation to include the debt details and notifications.

D. VA will record a reduction to a Federal accounts receivable if a settlement is reached. VA will amend the original billing to reflect the amount agreed to in the settlement. VA will not compromise or record as a compromise any debt owed by another Federal entity which has been reduced by settlement.

E. VA will record a cancellation of the Federal accounts receivable when the debt is not supported by documentation or the Chief of the Finance Activity or designee has directed such action. VA will not write-off any debt owed by another Federal entity which has been cancelled.

F. VA may not sue another Federal entity, hire a private debt collector, or offset the claim against another debt from the entity even when the debt is considered delinquent.

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\(^1\) For detailed information on the accounting and reporting of Federal intra-Governmental transactions, refer to Volume V, Chapters 1 and 2 and Volume VII, Chapter 5.
0203 AUTHORITY AND REFERENCES

020301 31 U.S.C. 3701, 3711-3720E, Chapter 37, Money and Finance - Claims


020303 U.S. Government Accountability Office (GAO) Principles of Federal Appropriation Law, Volume III, Chapter 12, Section D, paragraph 4, and Chapter 13, Section B, paragraph 4c(3).

0204 ROLES AND RESPONSIBILITIES

020401 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. Specific 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.

020402 Under Secretaries, Assistant Secretaries, Chief Financial Officers, Fiscal Officers, Chief Accountants and other key officials are responsible for ensuring compliance with the policies and procedures set forth in this chapter.

0205 PROCEDURES

020501 AUTHORITY FOR FEDERAL ACCOUNTS RECEIVABLE DEBT. The Chief of the Finance Activity or designee will obtain the necessary information to support a valid claim on another Federal entity, but will not assess interest or other administrative charges against the indebted Federal entity.

Federal accounts receivable may not be reduced through an offer of compromise. However, the Chief of the Finance Activity or designee may consider accepting a settlement of a reduced amount negotiated with the indebted Federal entity. Such a settlement of a Federal accounts receivable is not a compromise and will not be recorded as a compromise. Documentation on the settlement will be placed in the indebtedness file.
020502 ACTIONS FOR FEDERAL ACCOUNTS RECEIVABLE DEBT.

A. VA will invoice other Federal entities and collect Federal accounts receivable, where possible, through automated or regularly established self-collection methods, such as the Department of the Treasury’s Intra-Governmental Payment and Collection (IPAC) system.

B. VA will not assess additional charges, such as interest, administrative or penalty costs, to balances due on Federal accounts receivable.

C. VA will maintain a file documenting and supporting each case of indebtedness, including copies of the billing documentation substantiating the debt, follow-up documents and other related correspondence, particularly if the Federal entity records a chargeback to a VA collection attempt.

1. VA will send a demand notification to the indebted Federal entity’s Chief Financial Officer or finance head if payment is not received in a reasonable time period.

2. VA will ensure the invoice includes information that complies with Treasury’s Intra-Governmental Business Rules; otherwise, VA will risk the invoice being rejected for payment by the Federal entity. The availability of the following information may provide a basis to support a valid claim:

a. The trading partner code of the Federal entity with which VA is doing business.

b. The common agreement number (order number) and the funding source.

c. The effective date and duration of the agreement, to include the expiration of the funding source.

d. The parties’ right to modify, cancel, or terminate the agreement.

e. The method and frequency of performance (revenue and expenses) reporting.

f. The appropriate Treasury Account Symbol (TAS) for both trading partners. If multiple TASs are included on one order, specify amounts for each TAS, as appropriate.

g. The Business Event Type Code for both trading partners.

h. The amounts to accrue, advance, collect, or disburse and the method of payment.

i. The Business Partner Network number for both trading partners.

j. An Alternative Dispute Resolution clause.
k. A clause specifying that if the buyer cancels the order, the seller is authorized to collect costs incurred prior to cancellation of the order plus any termination costs.

l. The accounting/finance office point of contact information, such as name, location and telephone number, as well as the contracting officer or contracting officer’s technical representative point of contact information.

D. The Chief of the Finance Activity or designee may accept a settlement for a reduced amount of the debt. The debt will be amended to reflect the reduced amount. Subsequent billings will also be amended as necessary to reflect the amount agreed to in the settlement. No portion of the reduced debt will be recorded as a compromise.

E. The Chief of the Finance Activity or designee may cancel Federal entity debts when available documentation does not support the claim.

1. Prior to taking action to recommend debt cancellation, the Chief of the Finance Activity or designee will review all available documentation supporting the debt. If the Chief or designee is satisfied the documentation does not support the debt, the debt will be cancelled and the respective Federal entity notified. Under no circumstances should a cancellation be recorded as a write-off or compromise of the debt.

2. For audit purposes, the Chief of the Finance Activity or designee will maintain a log and pertinent information of bills that were cancelled because of lack of documentation.

F. VA may not pursue a Federal debt considered delinquent through legal proceedings, through offset of another amount created by a different transaction, or through the use of private collection agents.

0206 DEFINITIONS

020601 Business Rules. Treasury’s regulations that provide Federal entities with guidance on recording and reconciling fiduciary transactions and intra-Governmental exchange activity. The regulations standardize business practices across the Federal Government.

020602 Collection Action. Collection actions include issuance of demand letters, or, if necessary, referral to Treasury for offset or cross-servicing, or further referral to VA Regional Counsels or the Department of Justice for enforced collection.

020603 Federal Accounts Receivable. Receivables that arise from claims against another Federal entity. Federal accounts receivable may result from the performance of services and/or the delivery of goods between Federal entities. An example of such indebtedness may include reimbursements to VA for work performed for other Federal entities.
020604 Intra-Governmental Payment and Collection (IPAC) System. Treasury system that provides a standardized interagency fund transfer mechanism for Federal Program Agencies (FPA) and facilitates the intra-governmental transfer of funds with descriptive data from one FPA to another.

020605 Write-Off. This process involves reducing receivables in accounting records as a result of the determination that they are uncollectible. All write-offs must be made through allowance accounts for bad debts. Under no circumstances are debts to be written off directly to expense. Write-offs should be distinguished from reversals of receivables. Federal accounts receivable are not written off; they are cancelled.

0207 RESCISSIONS

020701 VA Handbook 4800.10, Federal Accounts Receivable.

0208 QUESTIONS

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

<table>
<thead>
<tr>
<th>VHA</th>
<th>VHA Accounting Policy (Outlook)</th>
</tr>
</thead>
<tbody>
<tr>
<td>VBA</td>
<td>VAVBAWAS/CO/FINREP (Outlook)</td>
</tr>
<tr>
<td>All Others</td>
<td>OFP Accounting Policy (Outlook)</td>
</tr>
</tbody>
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