

INDIAN AFFAIRS DEBT MANAGEMENT HANDBOOK

27 IAM 4-H



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FOREWARD

This handbook documents the procedures required to implement the Indian Affairs (IA) Debt Management Policy, 27 IAM 4. It supersedes all policies and procedures related to Debt Management that may have been created and/or distributed through IA previously.

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9/30/20

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CHAPTER 1: INTRODUCTION

PURPOSE

The purpose of this handbook is to provide guidance pertaining to the management of outstanding billings (debts) within Indian Affairs (IA). Managing debt includes:

- billing and collection of amounts owed to IA;
- reviewing of the status of outstanding bills;
- referring eligible non-federal delinquent bills to the Department of the Treasury (Treasury);
- writing-off bills more than two (2) years past due and coding them as “Currently Not Collectible (CNC)” or “Closed Out”;
- processing Debt Waiver and Debt Write-off transactions as approved by the Chief Financial Officer (CFO);
- performing monthly reviews and reconciliations; and
- completing the quarterly Treasury Report on Receivables (TROR).

This handbook is the companion to Indian Affairs Manual (IAM) Part 27, Chapter 4, Debt Management; and follows the guidance provided in the [“Department of Interior Credit and Debt Management Handbook”](#).

BACKGROUND

IA has various decentralized locations/systems that process Accounts Receivable (AR) activities on a daily basis, to include:

- Irrigation offices/projects: National Irrigation Information Management Systems (NIIMS);
- Power office/projects: Electric Utility Management System (EUMS);
- the Division of Capital Investment (DCI) Loans (Direct Loans and Guaranteed Loans);
- Sales and Distribution (SD);
- Suspense Deposit System (SDS);
- Grazing Fees;
- Alaska Resupply;
- Freedom of Information Act; and
- Administrative debts.

The Office of the Chief Financial Officer (OCFO) is responsible for the management of IA’s debts and for monitoring adherence to debt management policies and procedures. The terms ‘offices’ or ‘billing officials’ refer to those responsible for issuing bills, and reviewing and managing outstanding accounts receivable within a region or program. IA managers are responsible for establishing procedures implementing debt management policy relevant to reimbursable projects and other projects requiring recovery of costs.

CHAPTER 2: RECEIVABLES

RECOGNITION OF RECEIVABLES

IA Accounting Offices, in conjunction with the Program Offices, are responsible for reviewing Financial and Business Management System (FBMS) reports, tables, etc., to determine amounts that are to be billed, and for initiating manual billings or billing requests in a timely manner. Requests for billing are to be completed within five (5) days of the determination that an amount is due from a customer, or current or former employee. System-generated bills are to be created in the subsequent automated billing cycle.

IA will establish the Collection Due Date for payment of bills as 30 days after the bill is first mailed or hand-delivered to the debtor, unless otherwise provided for by statute, regulation, or by agreement. Exceptions to this requirement are as follows: the due date for power and irrigation bills issued by the respective offices is 15 days.

CATEGORIES OF RECEIVABLES

AR includes billings issued by IA offices/programs for the following activities/operations:

- Reimbursable Agreements
- Suspense Deposit System
- Irrigation and Power
- Loans
- Alaska Re-Supply
- Administrative debts
 - Single Audit Act (Disallowed Audit Costs) recoveries
 - P. L. 100-297 Grants
 - P. L. 93-638 Contracts, Compacts, Grants
 - Contactor Debt (Findings and Determinations)
 - Utility services, such as monthly water and sewer usage
 - Quarters
 - Miscellaneous debt
 - Travel debt (RITAs, etc.)
 - Freedom of Information Act (FOIA) requests
 - Employee debt (salary overpayments, health benefit debts, etc.)
 - Other (vendor overpayments, various fees, etc.)

BILLING DOCUMENTS

- A. Bills issued to Federal customers are processed via Treasury's Inter-agency Payment and Collection system (IPAC).
- B. Irrigation and Power issue their bills from their respective legacy systems, using Fund 14X5240 or 14X5648, respectively (see [Chapters 6 for Irrigation](#) and [Chapter 7 for Power](#)).

- C. The Division of Capital Investments (DCI) is responsible for managing the Loan Guaranty, Insurance and Interest Subsidy Program. It includes Direct and Guaranteed Loans which have defaulted. These Loan debts are considered Receivables and are managed by Credit Officers. See [Chapter 8 for Loan Management Team responsibilities](#).
- D. FOIA requests are initiated via the BIA website. The Regional processing office will mail the completed Billing Form DI-1040F to the customer and submit a PDF copy to the OCFO Reston office via email to OFM.FOIA@bia.gov. When the customer remits payment to the BIA Collection Officer in the Reston office, OCFO staff will create a bill in FBMS, immediately post the payment, and inform the FOIA Office via email that payment has been received.
- E. Bills issued to non-Federal customers are FBMS system-generated DI-1040, Bill for Collection. All Bills include a Notification of Action in case of Non-payment and Notice of Rights.
- The Alaska Resupply Center is located in Seattle WA, and is responsible for the purchasing, warehousing, and shipment of commodities and fuels to certain Alaska villages, schools, cooperatives, and individuals where alternative freight services are not available. Bills are created in FBMS on an as-needed basis, and mailed to the respective customer.
 - Travel bills for overpayments are submitted to the Interior Business Center (IBC) via Travel Billing Request Form. IBC creates the bill in FBMS, then prints and mails the DI-1040 to the customer; along with corresponding backup documentation. If the customer is an active IA employee, salary offset may be an option.
 - Monthly and Quarterly billing for Quarters is performed by IBC based upon reports received from the Hopi, Crow, Jicarillo, Papago and Crownpoint agencies, or as needed. IBC creates the bill in FMBS then prints and mails the DI-1040 to the respective customer(s).
 - Monthly billing for utility services, such as water and sewer usage, is performed by IBC personnel based upon reports received from the Hopi, Crow, Jicarillo, Papago, and Crownpoint agencies. The utility bills are issued with the Operations and Maintenance (O&M) Fixed Fee Fund.
 - Requests for billing outside of the monthly process may be requested via letter to the IBC billing office. Billing requests are to include the information required to post the receivable correctly in FBMS or other IA system, and to provide sufficient information to the customer to support the bill. Information required for billings initiated by IA are to include the following:
 - 1) bill number;
 - 2) amount of the debt;
 - 3) basis or description of the indebtedness;

- 4) Collection Due Date for payment after which the unpaid portion of the debt is determined delinquent (non-Federal billings);
- 5) Bureau's policy regarding the assessment of interest and penalties if the debt is not paid by the due date (non-Federal billings);
- 6) Line of Accounting information, including the Fund Center, Fund, Functional Area, Budget Object Classification, and the Work Breakdown Structure (WBS) number assigned for the project;
- 7) name and phone number of the person to contact within IA to assist the debtor; and
- 8) Notification of Actions in Case of Non-Payment and Notice of Rights.

SINGLE AUDIT ACT DISALLOWED AUDIT COSTS RECOVERIES

Single Audit Debts are the result of disallowed costs from a P.L. 638/297 agreement or other grants or cooperative agreements.

- A. As a result of a Single Audit, possible disallowed costs are identified by an Auditor who reviews the costs charged to the grant, cooperative agreement, or 638/297 agreement. The Auditor will submit a Single Audit Report, with a Findings and Determinations, to the IA Division of Internal Evaluation and Assessment (DIEA) for review.
- B. DIEA will inform the Awarding Official (AO) in writing of the questioned costs for their review and confirmation of questioned costs.
- C. The AO will write a letter to the Tribe/Tribal Organization requesting a written response to the questioned costs. If justification and/or supporting documentation do not resolve the questioned costs, the disallowed costs are sustained in a final determination.
- D. The AO issues a final Findings and Determination memorandum, which includes a management decision that declares the identified questions costs as sustained or disallowed costs. The Tribe's/Tribal Organization's appeal rights must be included in all Findings and Determination memorandum.
- E. The AO will submit written request through the local Accounting Office, to the IBC Billing Office, to request a bill for collection to the Tribe/Tribal Organization, with a copy of the final Findings and Determination memorandum. A DI-1040 is created in FBMS and mailed to the Tribe/Tribal Organization.
- F. The Tribe/Tribal Organization has a right to dispute any information contained in the final determination within 90 days. Appeals must be submitted in writing to the Civilian Board of Contract Appeals (CBCA), 1800 M Street NW, 6th Floor, Washington, DC 20036. The CBCA is the authorized representative of the Secretary of the Interior with jurisdiction to hear and determine appeals relating to contracts (or grants) made by any Bureau or Office of the Department of the Interior (DOI).

CONTRACTOR DEBT

Contractor debts are a result from actions completed within the Federal Acquisitions Regulations (FAR), usually due to contractor deficiencies, nonperformance, etc.

- A. As a result of a “Findings and Determinations” of contract awards, the Contracting Officer (CO) must determine the amount of debt to be recovered under acquisition instruments. This debt determination may be in the form of a negotiated settlement or a unilateral debt determination. This does not apply to other claims or disputes that may arise during contract administration.
- B. Negotiated settlement occurs when the CO and the contractor/debtor agree on the amount of debt. The CO must issue a confirmation of the negotiated settlement to the contractor, or recipient, upon the completion of negotiations.
- C. When a negotiated settlement cannot be reached, the CO must issue a unilateral debt determination. This constitutes a final CO decision pursuant to the applicable dispute provisions of the contract. The CO must send the contractor/debtor a letter confirming the negotiated settlement or unilateral debt determination which will indicate the findings, notify the debtor that a bill for collection will be issued. (See FAR 33.202, Contract Disputes Act of 1978).
- D. The CO and AO will discuss requests for issuance of a bill with the Accounting Office. Requests for a bill for collection are sent to the IBC billing office, and must include the Line(s) of Accounting and dollar amount(s). Copies of correspondence will also be provided to the appropriate IA office responsible for the contract and monitoring of the bill, the Regional Accounting/Collection Officer and the IA billing office. The DI-1040 is created in FBMS and mailed to the customer, and posted to the appropriation or fund of the original contract award, which will be credited when collections are received.
- E. If the contractor/debtor challenges the CO’s determination on a claim through a formal dispute process or court action, the Accounting Operations personnel must suspend collection action until the appeal or court action is resolved.

EMPLOYEE DEBT

The IBC Payroll Operations Division (POD) manages payroll processing for DOI as well as other Federal agencies. As part of the payroll process, IBC also has a Debt Management Branch (DMB), whom manages pay-related debt for active DOI employees.

Duties that fall under the IBC DMB’s purview with regard to active employees include:

- providing appropriate due process and repayment options to employees;
- collecting debts via payroll deductions or cash payments;
- adjusting wages and taxes to reflect payments;
- providing reports on debt collection activities;

- deducting payments such as child support, alimony, commercial garnishments, federal debt offsets, tax levies, bankruptcies, and government credit card; and
- notifying employees of upcoming deductions.

When a payroll debt is issued, IBC DMB sends a due process notice to the employee that allows him/her an opportunity to repay the debt in full, request an installment plan, or dispute the debt. If the employee fails to respond to the request for payment, payroll deductions will commence.

The DOI Office of Financial Management (PFM) recognizes this payroll employee debt as “current” and not delinquent since the debts are being managed by the payroll office in conjunction with the corresponding Bureau. Federal Management Memorandum (FMM) 2016-026 (Vol. V.D), dated August 5, 2016, Accounting Procedures for Payroll Employee Debt, establishes the policy that Bureaus do not “age” employee debt. Reason Code EMP will be added to all employee debt transactions.

If an employee separates from the Federal Government, the employee debt is “transferred” from IBC DMB to the IA’s Accounts Receivable (AR) section. AR closes the employee debt and issues a Bill to the customer (separated employee), which provides due process and starts the “timer clock” for delinquency aging.

Employee Debt Waivers

A request for a waiver must be initiated by a DOI employee, another person from whom collection is sought (e.g., a survivor of an employee), an authorized Bureau official that made the erroneous payment, the POD in appropriate situations, the Director of the Office of Hearing and Appeals (OHA), or his/her designee. No specific form is required to request a waiver, but the employee should state, in writing, that a waiver is being requested and provide the following information:

- full name of the employee or other person from whom collection is being sought;
- mailing address and telephone number;
- Bureau that made the erroneous payment; and
- a copy of the bill for collection or copy of the notification of collection.

This request for waiver must be submitted to the POD that made the erroneous payment.

The POD must be the “authorized official” for an erroneous payment of travel, transportation, or relocation expenses or allowances made on or after December 28, 1985, for amounts totaling less than \$4,000, for active employees. If a request for waiver is approved, the debt is cancelled. If a waiver request is denied by the POD, the employee, or other person from whom collection is sought, must be advised of the right to appeal the denial to the Director of OHA.

The Director of OHA, or his/her designee, must be the “authorized official” for waivers of a claim arising out of an erroneous payment of pay or allowances made to active employees for amounts totaling \$4,000 or more. The POD must prepare an Administrative Report, and submit the waiver package for consideration by the Director of OHA or his/her designee, at: Director,

Office of Hearings and Appeals, U.S. Department of the Interior, 801 N. Quincy Street, Suite 300 Arlington, Virginia 22203; per Departmental Manual (DM), Part 344 Debt Collection, Chapter 9 Waiver of Claims for Erroneous Payments (344 DM 9).

The employee may petition for reconsideration of an OHA decision on a request for a waiver or a waiver appeal. The written request for reconsideration must be sent to the Director, Office of Hearings and Appeals, U.S. Department of the Interior, 801 N. Quincy St., Suite 300, Arlington, Virginia 22033, within 15 business days of receipt of the OHA decision. The request for reconsideration must demonstrate that the Director of OHA has committed a material error of law or policy. The Director of OHA, or his/her designee, will issue an Order on Reconsideration within 60 business days of receipt of the request. A copy of the Order on Reconsideration will be provided to the employee and the Bureau or the POD.

INSTALLMENT PAYMENTS

Payment of debts should be made in the full amount owed, including interest and penalties. If the debtor is financially unable to pay the indebtedness in one lump sum, payment may be accepted in regular installments based upon a signed repayment agreement. The amount and frequency of the payments must bear a reasonable relation to the size of the debt and the debtor's ability to pay. Payment plans should be sufficient in size and frequency to liquidate the debt within three (3) years, and payments should not be less than \$50 per month.

The Debtor should request repayment agreement prior to the Bill Due Date, from the IBC Billing office. The agreement must be signed and returned to IBC. Interest, Admin Fees, and Penalty (I/A/P) will be waived as long as the Debtor stays current on the repayment schedule. However, if the repayment schedule is not kept current, the debt will be referred to Treasury and I/A/P plus Treasury fees will be assessed back to the original Billing Date.

CLAIMS INVOLVING CRIMINAL ACTIVITIES OR MISCONDUCT

The CFO is to refer cases of suspected criminal activity or misconduct to the Office of Inspector General (OIG). The OIG has responsibility for investigating or referring the matter to the Department of Justice (DOJ) or returning it to the CFO for further action. The CFO may not administratively compromise, terminate, suspend, or otherwise dispose of debts involving criminal activity or misconduct without the approval of DOJ or the OIG.

CHAPTER 3: DELINQUENT DEBT

DETERMINING DELINQUENCY

A debt is determined to be delinquent if it has not been paid by the Collection Due Date specified on the bill for collection, unless other satisfactory payment arrangements have been made, or the debt is pending in waiver status, appeal determination, or in litigation.

CHARGES ACCRUED FOR DELINQUENT DEBT

Late payment charges will be accrued by FBMS and other systems outside of FBMS, and added to the account receivable balance of the delinquent bills.

Late charges include the following:

- Administrative costs – An administrative cost is a fee assessed to recover the administrative costs of handling and processing Demand Letters once the bill becomes delinquent.
- Interest – Interest is a charge assessed when a bill becomes 1 day delinquent, at the Current Value of Funds Rate (CVFR) established by Treasury, and is calculated from the Bill Date.
- Penalty – Penalty is a punitive charge assessed when the bill becomes 90 days delinquent, charged at an annual rate of 6%, and is calculated from the Bill Date.

The IBC Business Integration Office (BIO) will check Treasury’s website quarterly for a change in Treasury’s Current Value of Funds Rate (CVFR). If Treasury changes the rate, the BIO will change the rate in the appropriate tables in FBMS, and notify the appropriate IA offices of the change in order to adjust separate receivable systems outside of FBMS. The rate will be changed in order to begin accruing interest charges at the newly established rate on the date that bills become delinquent.

DEBT COLLECTION FOLLOW-UP ACTION

- A. Billing offices must initiate follow up action on their bills that become delinquent. Debt collection efforts must provide for timely action to collect from the individual debtors. Efforts by billing offices are to ensure collection of the amount owed prior to referral to Treasury or to initiate action with the customer to resolve non-payment status.
- B. If payment is not received by the due date, a demand letter will be generated by FBMS, or other systems outside of FBMS, and mailed to the debtor. The demand letter is to remind the debtor of the delinquent bill, provide the debtor with due process rights, and notify the debtor that late fees have started accruing. The demand letter is to include the following:
 - bill number and amount of the debt;
 - right of the debtor to seek a review of the debt and inspect IA records related to the debt;
 - name and phone number of the IA contact;
 - entitlement of the debtor to dispute the debt, or request a waiver of payment of a debt as a result of an erroneous payment made to the debtor;
 - payment instructions;
 - IA’s willingness to discuss alternative payment methods (payment plans, etc.);
 - requirement to assess interest and penalties on the delinquent debt;
 - requirement to refer the debt to Treasury for collection action not later than 120 days after the debt became delinquent, and the potential collection actions that may be enforced in the event of non-payment (such as referral to a collection

agent, reporting the debt to a credit bureau, and offset of the debt against amounts owed to the debtor) and the potential collection actions that may be enforced in the event of non-payment; and

- potential to report a discharged debt to the Internal Revenue Service as potential taxable income.

C. If payment is not received within 90 days from the due date and no other request to establish a payment plan, appeal, or dispute of the debt has been received, the debt may be referred to Treasury.

REFERRAL TO TREASURY

IA initiates referral of all eligible non-federal delinquent debt to Treasury's Cross Servicing Next Generation (CSNG) system, no later than the end of the 120 days delinquent period; thereby complying with the Data Act of 2014. Upon referral, the applicable Reason Code will be added to Administrative bills in FBMS, along with annotation of the Fed Debt ID number in the Text Field. These referrals incur additional collection fees by Treasury, which will be added to the debt. IA has determined that it is not cost effective to refer debts under \$50. These debts may be written off with approval from the CFO.

As part of the CSNG Cross-Servicing program, Treasury will take appropriate action to service, collect, compromise, suspend, or terminate collection action on the debt. Agencies are strongly encouraged to use all available debt collection tools, such as administrative wage garnishment, referral to private collection agencies, Credit Bureau reporting, litigation, and reporting debts to the Treasury Offset Program (TOP).

- A. Debts in excess of \$50 where IA has recorded the debtor's Taxpayer Identification Number (TIN), or in excess of \$100 where IA has not recorded the customer's SSN, are eligible to be referred to Treasury; except for debts that meet at least one of the following conditions, where the debt is:
- in some form of current collection action, such as a payment plan where payments are current;
 - in a dispute with the billing office;
 - in litigation;
 - in waiver status; or
 - owed by a current employee.

The above amounts are exclusive of accrued interest, administrative costs, and penalties.

- B. Multiple debts less than \$50 (\$100 without a SSN/TIN) owed by the same customer that collectively total more than \$50/\$100 are to be referred to Treasury as a "combo debt" since the total debt of the customer exceeds the \$50/\$100 threshold.
- C. Collection actions on individual debts less than \$50/\$100, or multiple debts owed by the same debtor that collectively are less than \$50/\$100 exclusive of accrued interest,

administrative costs, and penalties may be terminated where the debt is not expected to exceed \$50/\$100 during the next twelve months, or no additional debts are anticipated to be due from the customer.

- D. Debts in dispute or in an administrative appeal process must be referred once the dispute or appeal process is completed and the amount due has been fixed. The date of delinquency will remain the date that the original payment was due.

CHAPTER 4: DISPUTES, WAIVERS, AND SUSPENSION OF COLLECTION

DISPUTES

If a debtor disputes the billed amount, the office or billing official is to attempt to resolve the dispute with the customer. If resolution is not successful, the debtor may file a debt waiver request. Collection efforts may be suspended during the debt waiver process.

WAIVERS

A debtor may request a debt waiver if they dispute the debt, feel it was issued in error, or feel they should not have reasonably known an overpayment occurred. An approval of a waiver request cancels the debt. (See [Chapter 2 - Employee Debt section for *active* employee debt waiver guidelines.](#))

- A. In order to request a waiver, the debtor submits a written letter requesting a waiver to the IBC Billing Office. The request must include the following information:
- full name of the debtor, or other person from whom collection is being sought;
 - mailing address and phone number;
 - copy of the Bill for Collection or a copy of the notification of collection;
 - the circumstances that created the debt; and
 - why the debtor should not be liable for payment of the debt.

For debtors who are not active employees, IBC provides a letter with recommendation to OCFO for final determination by the CFO. However, if the debtor is an active employee, debt waiver requests should be forwarded to the POD as described in the Employee Debt section in Chapter 2 of this handbook; per 334 DM 9, Waiver of Claims for Erroneous Payments.

- B. If the debt is less than \$100,000, the CFO, or designee, can make the determination to waive the debt. If a waiver is approved, the debt is cancelled. The debtor will be informed in writing of the CFO's decision. If the waiver is denied, the debtor may appeal the decision to the OHA. However, appeals for debts related to Travel Relocation Income Tax Allowance (RITA) are sent to the Civilian Board of Contract Appeals (CBCA) per the Federal Travel Regulation (FTR).

C. If the debt totals \$100,000 or more, the OHA is authorized to make a determination on the waiver request. A Claim Collection Litigation Report (CCLR) must be submitted with each request. The CFO, or designee, will make a recommendation regarding the request to OHA within 60 days. The debtor will be notified in writing of OHA's decision. The debtor will have the right to appeal the decision to OHA for reconsideration.

D. OHA contact information:

Interior Board of Indian Appeals
Office of Hearing and Appeals
U.S. Department of the Interior
801 N. Quincy Street, Suite 300
Arlington, VA 22203
703-235-3816 (voice)
703-235-3199 (facsimile)

E. OHA Action on Waiver Requests and Appeals.

- 1) Upon receipt of a recommendation to grant a request for a waiver for a gross original amount greater than \$1,500, the Director of OHA, or the Director's designee, must send a Notice to the Bureau acknowledging receipt of the matter and inform the Bureau if additional information is needed, or may request a recommendation from the Bureau. Upon receipt of a recommendation to grant a request for a waiver for a gross original amount greater than \$1,500, the Director of OHA, or the Director's designee, must send a Notice to the bureau acknowledging receipt of the matter and notifying the bureau if additional information is needed, or may request a recommendation from the bureau. Upon receipt of the complete information, the Director of OHA or the Director's designee will make a determination to deny or grant the waiver, in whole or in part, and indicate the reasons for the decision. A copy of the decision will be sent to the debtor and the bureau.
- 2) When OHA receives an appeal of a waiver decision by the bureau, the Director of OHA or the Director's designee, must send a Notice to the bureau and the debtor acknowledging receipt of the matter and notifying the bureau. Upon receipt of the complete Administrative Report, the Director of OHA or the Director's designee will issue a decision on the appeal and will send a copy of the decision to the bureau and to the debtor. The Director or his/her designee will consider the appeal in accordance with applicable standards and law.

F. Petition for Reconsideration. The debtor may petition for reconsideration of an OHA decision on a request for a waiver or a waiver appeal. The written request for reconsideration must be sent to the Director, Office of Hearings and Appeals, 801 N. Quincy Street, Suite 300, Arlington, Virginia 22203, within 15 business days of receipt of the OHA decision. The request for reconsideration must demonstrate that the Director of OHA has committed a material error of law or policy. The Director of OHA, or his/her designee, will issue an Order on Reconsideration within 30 business days of receipt of the

request. A copy of the Order on Reconsideration will be provided to the debtor and the bureau.

SUSPENSION OF COLLECTION ACTIVITY

Collection activity on a debt may be suspended as provided in 31 CFR Part 903.2, when it is determined that at least one of the following conditions is met:

- the debtor cannot be located;
- the debtor's financial condition is expected to improve;
- the debtor has requested a waiver or review of the debt;
- the debtor has filed a bankruptcy petition; or
- Treasury has determined that collection action on the debt is to be suspended.

Per FMM 2017-034, (Vol. IX.B), dated July 28, 2017, Revised Delegation Authority Limits for Termination of Indebtedness, in accordance with Part 205 DM Chapter 7, establishes the policy that the CFO has redelegated authority to suspend collection action on claims totaling \$100,000 or less. If the debt exceeds \$100,000, IA must obtain DOJ approval in order to compromise collection action. This limit is exclusive of interest, penalty, or administrative accruals. These actions do not apply to debt owed by current employees that are to be repaid by the employee or collected through salary offset. Requests to suspend collection action on a debt, including debts returned from Treasury that have been recommended for suspension, are to be submitted to the CFO.

TERMINATION OF COLLECTION ACTIVITY

Collection activity on a debt may be terminated as provided in 31 U.S.C. Part 903.3, when it is determined that at least one of the following conditions is met:

- the debtor cannot be located,
- the debt is legally without merit or cannot be substantiated,
- the cost of collecting the debt does not justify continued collection activity,
- the debt is determined not in the best interest for the government to pursue collection,
- the debt has been discharged in bankruptcy, or
- Treasury has determined the debt uncollectible.

A. The delegation authority limits for termination of indebtedness per FMM 2017-034 (Vol IX.B), dated July 28, 2017, are:

- \$100,000 or less – CFO has authority.
- \$100,000 or greater whose debt has **not** been serviced and returned from Treasury Cross-Servicing – need DOJ concurrence.
- \$500,000 or less – agencies have the authority to close-out debts that have been returned from Treasury Cross Servicing as uncollectible; however, PFM approval is required for close-out of debts greater than \$100,000.

- \$500,000 or greater – needs DOJ approval to terminate.

B. If a billing office determines that a debt has been issued erroneously or is clearly without legal merit, the office will terminate collection activity regardless of the amount involved, and cancel the debt.

COMPROMISE OF DEBT

A debt may be compromised if the debt cannot be collected in full, as provided in Federal Claims Collection Standards (see 31 CFR Part 902), when it is determined that at least one (1) of the following conditions is met:

- the debtor is unable to pay the full amount in a reasonable time,
- the debt could not be collected by enforced collection action,
- the cost of collecting the debt does not justify continued collection activity,
- there is significant doubt concerning proof of the entire amount of the debt,
- collection of the debt is not in the best interest of the government to pursue collection, or
- Treasury has compromised the balance or portion of the debt.

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WRITE-OFF OF DEBTS

A write-off is a removal of a debt from the IA accounting records. Write-offs are classified as either Currently Not Collectible (CNC) or Closed Out.

- A. CNC is a mandatory classification of debt delinquent for more than two (2) years past due, per OMB Circular A-129, unless documentation and justification not to classify debts is approved by OMB in consultation with Treasury. Uncollectible debts are classified as CNC when the debt is delinquent for two (2) years and material collections are anticipated to occur after the two (2) year delinquency period.

Debts classified as CNC will be written off in FBMS and reported on the Treasury Report on Receivables, a quarterly reporting tool for Treasury. Administrative debts will have the appropriate Reason Codes added to the debt, designating status.

Cost-effective collection efforts should continue if it is determined that such collection efforts after mandatory write-off are likely to yield reasonable returns, and continue until it is determined that collection efforts are no longer cost effective.

During the period that debts are classified as CNC, IA will maintain the debt for administrative offset and other collection tools, until either:

- 1) the debt is paid;
- 2) the debt is closed out;
- 3) all collection actions are legally precluded; or
- 4) the debt is sold.

B. Close-Out of Debt – Discharge of Indebtedness. Before closing out a debt, ensure all steps have been taken to collect the debt in accordance with 31 U.S.C. 3711(g), including referral to Treasury’s designated debt collection center for all cross-servicing functions. Further collection activity is prohibited. A debt is closed out after determination that:

- the debt is fully compromised or terminated, or
- a debt classified as CNC is determined not collectible, and collection activity is terminated.

Per FMM 2017-034 (Vol. IX.B), dated July 28, 2017, Revised Delegation Authority Limit for Termination of Indebtedness, in accordance with Part 205 DM Chapter 7, establishes the policy that the CFO has redelegated authority to approve write-off debts totaling \$100,000 or less. If the debt exceeds \$100,000, IA must obtain DOJ approval in order to compromise collection action. This limit is exclusive of interest, penalty, or administrative accruals. These actions do not apply to debt owed by current employees that are to be repaid by the employee or collected through salary offset. Requests to write-off a debt, including debts returned from Treasury that have been recommended for write-off, are to be submitted to the CFO.

Debts that are closed out are deemed as income to the debtor which is taxable and reported on IRS Form 1099C, Cancellation of Debt. A Form 1099C must be completed for each debtor who debt was closed out, in accordance with Internal Revenue Service regulations.

REFERRALS TO THE SOLICITOR OR THE DEPARTMENT OF JUSTICE (DOJ)

The CFO will coordinate the referral for litigation of debts more than \$100,000 to the Office of the Solicitor (SOL) for evaluation. SOL will refer all acceptable claims to DOJ. The authority to suspend or terminate debt that exceeds \$100,000 rests with the DOJ (31 CFR Part 903). Referrals will be made as early as possible where aggressive collection actions have been taken but the debt could not be collected, compromised, suspended, or terminated (see FCCS Part 903.1).

Unless excepted by DOJ, agencies must complete a Claims Collection Litigation Report (CCLR) in accordance with 31 CFR 904.2, accompanied by a signed Certificate of Indebtedness, to refer all administratively uncollectible claims to the DOJ for litigation. Referring agencies must complete all of the sections of the CCLR appropriate to each claim as required by the CCLR

instructions, and furnish such other information as may be required in specific cases. OCFO staff, in conjunction with the SOL, will complete the CCLR form.

Agencies must indicate clearly on the CCLR the actions they wish the DOJ to take with respect to the referred claim. The CCLR permits the agency to indicate specifically any of a number of litigative activities which the DOJ may pursue, including enforced collection, judgment lien only, renew judgment lien only, renew judgment lien and enforced collection, program enforcement, foreclosure only, and foreclosure and deficiency judgment.

BANKRUPTCY

Immediately upon receiving notice that a debtor has filed for bankruptcy, the billing office is to forward a copy of the bankruptcy notice to OCFO for recording and forwarding to SOL for filing a proof of claim. The billing office will adjust the receivable record to indicate that the bill is due from a bankrupt customer and that no additional late charges will accrue or actions taken to collect the debt. Once the proof of bankruptcy claim is received, a letter is submitted to the CFO to close the bill. The Customer Number (Vendor Code) is to be deactivated.

EXCEPTION FOR DEBT UNDER THE INDIAN FINANCING ACT OF 1974

The Indian Financing Act (IFA) of 1974 authorizes the issuance of loans, guarantees, and loan insurance for the benefit of Indian Tribes, businesses, and individuals. In cases of debt owed to the Federal Government as a consequence of such loans, guarantees or insurance, the IFA provides the Secretary plenary authority to cancel, compromise, or otherwise modify the debt. Under the IFA, there is no requirement to submit a proposed debt cancellation, compromise, or modification to any other Federal agency or department, including the DOJ, for approval or concurrence. Such debts would have to be reviewed by the CFO, but must be approved by the IA Deputy Assistant Secretary – Management (DASM).

CHAPTER 5: REPORTING AND ANALYSIS

BILLING OFFICE RECORDS

Accounts receivable are monitored and reviewed by IA Accounting/Billing offices who periodically reconcile the administrative files to accounts receivable reports to verify the accuracy of outstanding billed balances and to identify delinquent bills requiring follow up action. Appropriate follow up collection action is to be initiated and documented on all past due accounts.

- A. Billing offices are to maintain a log of bills issued or requested for issuance.
- B. The billing office must maintain an administrative file for bills issued, which is to contain a copy of the bill for collection or the request to issue the bill, documentation substantiating the indebtedness, and document the efforts made to collect the debt.

- C. All written communication between the billing offices, the customer, others involved in the collection process, and documentation summarizing phone conversations and personal interviews, must be documented in the file. In all cases, the information retained in the files must be sufficient to support IA's collection actions, including potential referral to Treasury and/or litigation.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

In order to establish an estimated amount for potentially uncollectible receivables, an allowance is calculated and adjusted in FBMS by FRA quarterly. The calculation is based on a percentage of receivable balances in specific aged categories, based upon debt activity for each type of debt (Admin, Loans, Power, Irrigation, etc.). The calculation is the responsibility of FRA and is reviewed by the Chief of FRA, or designee.

REPORTS AND RECONCILIATIONS

The OCFO Division of Financial Reporting and Analysis (FRA) is responsible for ensuring that the monthly totals in the FBMS Accounts Receivable (AR) module equal the General Ledger (GL) module. The AR Reconciliation is done by running monthly reports for the AR Open Receivables and the GL Trial Balance; along with receiving external system reports from the Power Projects' staff via EUMS and NIIMS.

TREASURY REPORT ON RECEIVABLES (TROR)

The TROR is a Treasury-mandated quarterly report prepared by bureaus that provides information pertaining to receivable balances, debt collection activities, and bureau debt eligible for referral to Treasury. Treasury requires a quarterly TROR to be prepared and submitted in accordance with Treasury procedures. IA has five TRORs, one for each program: Direct Loans, Guaranteed Loans, Irrigation, Power, and all other Administrative debts. OCFO is responsible for filing (transmitting) each TROR with Treasury in accordance with Treasury's published schedule. A Quarterly Debt Certification form will be completed by each Program and submitted to FRA with their respective quarterly TROR.

CHAPTER 6: IRRIGATION REVENUE PROCESS

The BIA charges assessments to irrigation project customers in accordance with 25 CFR 171. Irrigation project assessments can include:

- Operations and maintenance (O&M) and
- Construction.

BIA irrigation projects may assess minimum bill amounts or other charges, or charges based on contractual agreements they may have with outside entities. The O&M assessments may be adjusted according to agreement, contract, payment plan, or waiver.

Billing for all irrigation projects is performed using the National Irrigation Information Management System (NIIMS). Collections and other debt management activities are performed

through NIIMS or the local irrigation project staff. In all cases, billing, collections, and debt management activities are performed in accordance with IA OCFO policy. Additional policies and procedures specific to irrigation projects can be found in:

- 25 CFR 171, Irrigation Operation and Maintenance
- 50 IAM 1, Irrigation Overview

OCFO procedures relating to the Division of Water and Power (DWP) and BIA Irrigation Projects

- OCFO provides oversight of the BIA irrigation projects' debt management activities, which includes:
 - Treasury Report on Receivables (TROR) is a report summarizing receivables due from the public. It is drafted by DWP based on NIIMS and Treasury data and is submitted from DWP to OCFO.
 - Reconciliation of FBMS (book balances) with the corresponding Fund Balance with U.S. Treasury. OCFO prepares a reconciliation of Statement of Differences (SOD) and submits to responsible agencies for correction.
 - OCFO reconciles NIIMS and FBMS periodically. OCFO typically requests NIIMS daily reconciliation and performs a monthly report of reconciliations.
 - Termination and discharge of debt. Responsibilities are detailed in 50 IAM 1 - Irrigation Overview.
- Estimate of bad debt expense. OCFO estimates uncollectible receivables for each Project; the estimate is generated (at least in part) based on NIIMS reports.
- DWP and OCFO collaborate on NIIMS-specific year-end closing entries in FBMS.
- DWP and OCFO collaborate on other debt management, financial, and budgetary actions, as needed.

CHAPTER 7: POWER REVENUE PROCESS

The BIA assesses fees to electric power utility customers in accordance with 25 CFR 175. In all cases, billing, collections, and debt management activities are performed in accordance with IA OCFO policy. Additional policies and procedures specific to electric power utilities can be found in:

- 25 CFR 175, Rural Utility Standards
- 50 IAM 2, Power Overview
- Project Operations Manuals
- Debt Improvement Collection Act

OCFO procedures relating to DWP and BIA Electric Power Utilities

- OCFO provides oversight of the BIA electric power utilities' debt management activities, which includes:
 - Treasury Report on Receivables (TROR) is a report summarizing receivables due from the public. Projects provide the data to OCFO.

- Reconciliation of FBMS (book balances) with the corresponding Fund Balance with U.S. Treasury. OCFO prepares a reconciliation of SODs and submits to responsible agencies for correction.
- Termination and discharge of debt. Responsibilities are detailed in 50 IAM 2 - Power Overview.
- Estimate of bad debt expense. OCFO estimates uncollectible receivables for each Project.
- DWP, Projects, and OCFO collaborate on other debt management, financial, and budgetary actions, as needed.

MISSION VALLEY POWER

Mission Valley Power (MVP) in the Northwest Region is operated by the Confederated Salish and Kootenai Tribes (CS&KT) via a P.L. 93-638 contract. As a non-federal entity, CS&KT does not have direct access to FBMS.

MVP performs reconciliations between FBMS and their automated billing system reports on a monthly basis. OCFO staff provide reports to the MVP staff to perform these reconciliations.

Delinquent accounts are managed according to the project's business procedures through a disconnect process and debt referral to Treasury no later than 120 days past due as required. MVP refers delinquent debt to Treasury through the IBC. DAO records subsequent receipts collected by Treasury. Project staff then records the IPAC collection in the respective customer's accounts.

OCFO FRA staff perform monthly reconciliations between activity reported by the U.S Treasury and balances reported in FBMS. Any variances are reported as a SOD and sent to the projects as necessary for resolution

CHAPTER 8: LOANS

The Division of Capital Investment (DCI) is part of the Office of Indian Energy and Economic Development (IEED), and its key responsibility is managing the Loan Guaranty, Insurance and Interest Subsidy Program. It includes Direct Loans and Guaranteed Loans which have defaulted are considered Receivables, managed by Credit Officers. When a Loan defaults, the Credit Office Manager informs the borrower of all loan terms and conditions, where to send payments, and may also negotiate interest rate changes, waive late fees, etc. Payments on Receivables are processed by OCFO/FRA Division/Loan Accounting Section (LAS) located in Albuquerque, New Mexico. The collections are generally received by mail in the Albuquerque office or reported by Treasury through the IPAC. IPACs are collections made by Treasury on delinquent loan debts.

LAS reports the check amounts received by mail in Treasury's OTCnet web application and OTCnet generates a deposit ticket. Internally, LAS also prepares a bank deposit ticket. The deposit tickets and checks are remitted at a local bank. Bank personnel date and sign a copy of the OTCnet ticket and return it to the LAS. The OTCnet ticket and check copies are filed. When Treasury sends IPAC collections to BIA, BIA Reston Office sends the IPAC report to LAS. The

report serves as support for the IPAC collections. LAS records both check deposits and IPACs to IA's accounting system, FBMS. Subsidiaries are also updated and reconciled to the General Ledger.

IA's Office of Financial Management staff performs monthly reconciliations between activity reported by the U.S Treasury and balances reported in FBMS. Any variances are reported as a SOD and sent to the projects as necessary for resolution. LAS reviews and follows up on SOD reports. Quarterly, LAS coordinates with DCI to prepare the Treasury Report on Receivables (TROR) - on both Direct Loans and Guaranteed Assigned Loans. The finalized report is submitted to Reston OCFO staff and they will reconcile the TROR Ending Balance to the General Ledger before transmitting the TROR to Treasury.