

APPENDIX A

ACCOUNTING ENTRIES FOR CREDITING OF COLLECTIONS

1. Public Law 101-510, Section 1405 (31 U.S.C. 1552), "Procedure for appropriation accounts available for definite periods," stipulates the following:

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

"b. Collections authorized or required to be credited to an appropriation account, but not received before closing of the account under subsection (a) or under section 1555 of this title, shall be deposited in the Treasury as miscellaneous receipts."

2. As noted above, P.L. 101-510 requires that all balances are closed and any collections received after closing are deposited to the Treasury Miscellaneous Receipts Account following the end of the 5th year after expiration of an account. Thus, the following procedures are applicable to accounts receivable and refunds receivable. Accounts receivable are amounts due from others for goods furnished and services rendered. Refunds receivable are requested returns of advances or recoveries of erroneous disbursements that are directly related to, and reductions of, previously recorded payments from the accounts.

3. Budgetary Accounting Entries

a. Accounts Receivable. Budgetary accounts corresponding to accounts receivable shall be closed as follows:

Dr 4222	Customer Orders Accepted
Cr 4252	Reimbursements Earned - Uncollected

Total obligations within budgetary accounts should not change as a result of the above entry. However, the write-off of an uncollectible reimbursement receivable would result in a reclassification, to a direct program obligation, of an obligation previously incurred under the reimbursable program.

b. Refunds Receivable. Refunds receivable applicable to a direct program are recorded in general ledger account 4932, "Accrued Expenditures - Refunds Due - Direct Program." Refunds receivable applicable to the reimbursable program are recorded in general ledger account 4942, "Accrued Expenditures - Refunds Due - Reimbursable Program." These accounts represent amounts due to be returned from previously made liquidated obligations (Accrued Expenditures - Paid). Budgetary accounts established to track the status of obligational authority (i.e., undelivered orders, unpaid accrued expenditures and refunds due) shall not be

closed since their continued identity is necessary to assure that cumulative payments, even though paid from a current account, do not exceed the original appropriation of the closed account.

4. Proprietary Accounting Entries

Proprietary accounts established for “Accounts Receivable” and “Refunds Receivable” applicable to canceled accounts shall be reclassified as “Accounts Receivable - Canceled Accounts.” The subsequent collections of such amounts should be deposited to the Treasury Miscellaneous Receipts Account. Until other formal accounting entries are published, the following entries should be used:

a. To reclassify accounts receivable upon cancellation of the account and recognize the liability to deposit collections into the Treasury Miscellaneous Receipts Account.

Dr 1310X	Accounts Receivable - Canceled Accounts	<u>1/</u>
Cr 1311-14	Accounts Receivable	
Cr 1315-16	Refunds Receivable	

and

Dr 3610	Uncollected Revenue - General Fund - Miscellaneous Receipts
Cr 2411	Deposit Fund Liabilities

1/ The “X” following account number 1310 indicates that a formal account for this purpose does not currently exist in the DoD Uniform Chart of Accounts.

b. To record collection of canceled accounts receivable.

Dr 1011	Funds Collected
Cr 1310X	Accounts Receivable - Canceled Accounts

c. To record deposit, after collection, of accounts receivable - canceled accounts to the Treasury Miscellaneous Receipts Account.

Dr 2411	Deposit Fund Liabilities
Cr 1012	Funds Disbursed

and

Dr 3620	Funds Returned to General Fund Miscellaneous Receipts
Cr 3610	Uncollected Revenue - General Fund - Miscellaneous Receipts

5. If, after compliance with established collection procedures, it is determined that an account is uncollectible, the following entries should be made:

Dr 6129 Bad Debts
 Cr 1310X Accounts Receivable - Canceled Accounts

and

Dr 2411 Deposit Fund Liabilities
 Cr 3610 Uncollected Revenue - General Fund - Miscellaneous
 Receipts

The write-off of an uncollectible account or refund receivable applicable to the reimbursable program should result in a reclassification, to a direct program obligation, of obligations previously incurred under the reimbursable program. (The write-off of an uncollectible refund receivable applicable to the direct program does not require reclassification.) The reclassification of an uncollectible account or refund receivable applicable to the reimbursable program may be accomplished through the following two entries:

a. To eliminate unliquidated reimbursable program obligations, the following entries should be made. (Note: Liquidated reimbursable program obligations previously should have been eliminated through the account closing process.)

Dr 4820 Undelivered Orders - Reimbursable Program
 Dr 4920 Accrued Expenditures - Unpaid - Reimbursable Program
 Dr 4942 Accrued Expenditures - Refunds Due - Reimbursable Program
 Cr 4582 Allotted Reimbursable Program

b. To reclassify the canceled reimbursable program unliquidated and liquidated obligations as canceled direct program obligations, the following entries should be made.

Dr 4611 Uncommitted/Unobligated Allotments - Direct Program
 Cr 4810 Undelivered Orders - Direct Program
 Cr 4910 Accrued Expenditures - Unpaid - Direct Program
 Cr 4931 Accrued Expenditures - Paid - Direct Program

6. It should be observed that a write-off of uncollectible accounts receivable does not increase total obligation balances in budgetary accounts. However, as noted previously, the write-off of a receivable would result in a reclassification of obligations from the reimbursable to the direct program.

7. A reimbursable order provides obligation authority. Obligation authority is provided by (a) the acceptance of a reimbursable order from other Federal Government accounts that represent obligations of the ordering account and (b) orders from the public, including state and local governments, to the extent accompanied by an advance. This obligation authority is used (obligated) by the performing activity in fulfilling the accepted order. Fund resources to liquidate reimbursable obligations in the performing activity's account are obtained through payments from

the ordering account. Payments may be in the form of advances, progress payments, or final payment upon completion of the order. In the absence of such a payment, fund resources are paid from the direct program authority of the performing account.

8. To the extent that (a) obligations, due to the reclassification of reimbursable program obligations, are in excess of direct program obligation authority, or (b) expenditures (liquidation of obligations) are in excess of appropriated funds plus reimbursements expected to be earned and collected, there is a violation of the Antideficiency Act. For additional guidance on violations, see Volume 14 of this Regulation.

9. The status of obligated and unobligated balances in direct and reimbursable programs, even in an account which has been closed, must be continuously maintained. If direct program unobligated balances in a closed account are sufficient to absorb the reclassification of reimbursable program obligations, the charging of write-offs of uncollectible receivables to current year accounts does not appear necessary.

a. The presence of a sufficient existing unobligated balance in a closed account in a direct program is determined by deducting from the unobligated balance at the time of cancellation all amounts charged to current appropriations which otherwise would have been chargeable to the closed account, both as to purpose and in amount, except that the account was canceled. Thus, if obligations and/or expenditures are incurred against a reimbursable order, and if that reimbursable order later is declared uncollectible, then a violation would exist to the extent that appropriated (direct program) resources existing in a closed account are not sufficient to absorb those obligations and/or expenditures.

b. Thus, to avoid a violation of the Antideficiency Act, the presence of a sufficient unobligated balance in an existing direct program must exist in a closed account to absorb the reclassification of uncollectible reimbursable program receivables. However, in accordance with closing account legislation, the actual payment of an amount originally obligated in an account that has since closed shall be made from a current account available for the same purpose subject to the 1 percent limitation.