



U.S. Department of Justice
Federal Bureau of Prisons

PROGRAM STATEMENT

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Financial Management – Debt Management

/s/

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1. PURPOSE AND SCOPE

This Program Statement prescribes the policies and procedures for Debt Management, including collecting delinquent debts and writing off uncollectible debts. These guidelines ensure fair but aggressive collection of all accounts receivables.

One of the first statutes to provide a uniform policy and procedure for debt collection by the Government was the Federal Claims Collection Act of 1966. Then, in the late 1970's, increasing concern was expressed over the growing backlog of unpaid debts owed the Federal Government. From this concern, the Debt Collection Project was created in August 1979 within the Office of Management and Budget (OMB). The purpose of the project was for OMB to work with Federal agencies and departments to establish effective collection procedures, identify Government-wide problems that impede agency collection efforts, and make recommendations for solving the problems.

The next legislation passed was the Debt Collection Act of 1982. This act promoted improved debt collection by expanding the Government's right to use credit bureau reporting and debt collection agencies in its collection efforts. The Government Accountability Office (GAO) and the Department of Justice (DOJ) jointly issued implementing regulations on debt collection as authorized in the Federal Claims Collection Act of 1966. These joint regulations, designated as the Federal Claims Collection Standards, can be found in 31 CFR Subtitle B., Chapter IX, Parts 900 - 904. These regulations provide general rules on debt collection for Government agencies.

In 1985, OMB issued Circular A-129 [revised in 2013, *see* 2000 WL 33969134, entitled “Policies for Federal Credit Programs and Non-Tax Receivables”], which broadened the Government’s responsibilities beyond debt collection to include the entire credit management process. This circular establishes Government policy and the regulatory framework for the development of specific credit management standards and procedures. The Bureau of Fiscal Service of the Department of the Treasury has issued several supplements to the Treasury Financial Manual that expand on the standards and procedures required to manage credit and debt collection. Examples of these supplements are “Managing Government Credit,” “Guidelines for the Federal Employee Salary Offset Program,” “Managing Federal Receivables,” and “Federal Direct Loan Operating Procedures.”

a. **Summary of Changes**

Policy Rescinded

P2013.02 Financial Management – Debt Management (12/31/2007)

This revision of the Program Statement includes the following changes:

- Changed all references of Controller to Business Administrator.
- Changed all references of Warden to Chief Executive Officer or CEO.
- Removed all FMS references and updated to refer to the Financial System, including updating the General Ledger account numbers and general processing in the financial system.
- Changed the number of days for which an Outstanding Travel Advance is considered delinquent if unpaid from 5 days to 10 working day.
- Added an employee has the right to appeal any denied compromise of claim to the Debt Management Officer.
- Added a section on the Relief of Accountable Officers.

c. **Institution Supplement.** None required. Should local facilities make any changes outside the required changes in the national policy or establish any local procedures to implement the national policy, the local Union may invoke to negotiate procedures or appropriate arrangements.

2. **DESIGNATION OF DEBT MANAGEMENT OFFICER**

A Deputy Assistant Director, Administration Division, is designated as the Debt Management Officer for the BOP. The Debt Management Officer is to:

- Determine collectability of accounts receivables and recommend disposition of the receivables.
- Make determinations and recommendations regarding requests for compromises of claim.

- Ensure sound debt management policies and operations are in place in the BOP.
- Answer outside inquiries regarding the BOP Debt Management Program.

3. DUNNING PROCEDURES

A bill is considered delinquent when the debt has not been paid or resolved within 30 days of the payment due date. All accounts are to be monitored to determine when a bill has become past due. Once a bill has become delinquent, the following steps must be taken (for debts owed by current Federal employees, refer to Sections 4.c. and 4.d.):

a. **Debt originating office (i.e. Institution, Regional or Central Offices).** As soon as the account becomes delinquent, the debtor is to be notified by letter via certified mail, and if possible by telephone. All personal contacts with the debtor; i.e., telephone calls, must be documented in the account file and followed up by a letter that confirms the contact and any agreements reached.

(1) **Initial Contact.** The initial contact with the debtor is to be made as soon as the debt becomes delinquent, but not later than 45 days after the payment due date. The letter must inform the debtor of the:

- Status of the debt as overdue.
- Amount owed.
- Basis of indebtedness.
- Debtor's right to contest the debt.
- Debt collection methods the BOP may use, including IRS offset (Central Office only) and administrative offset.
- BOP's policy on assessing late charges and the appropriate rates and amounts (if applicable).
- Date by which payment must be received to avoid further action.

The letter is to be signed by the Business Administrator.

(2) **Additional Contact.** If the debt is not recovered after the initial contact, a follow-up letter is to be sent every 30 days for the next two months, but not later than 61 days and 91 days after the original bill date. Each letter should become progressively stronger and firmer in tone. These letters are signed by the Chief Executive Officer (CEO).

If the institution's efforts to collect the debt fail and the debt is 105 days past the original bill date, the institution shall request assistance from the Regional Comptroller. In this request, the originating office shall include, at a minimum:

- A copy of the billing document.
- Back-up support for the bill.
- Copies of all follow-up documentation and correspondence.

b. **Regional Office Oversight.** The Regional Comptroller reviews the documentation supporting the debt referred by the institution. If the Regional Comptroller concludes that the institution made sufficient attempts to collect the debt, but the collection efforts failed, the Regional Comptroller refers the debt to the Debt Management Officer in the Central Office for appropriate action. At a minimum, the same documentation sent by the institution to the Regional Office must be sent to the Debt Management Officer.

If, however, the Regional Comptroller concludes that the institution-level effort to collect the debt was insufficient, he/she is to follow up for one to three consecutive months by letter via certified mail and telephone. These letters require the Deputy Regional Director's signature. If these collection efforts fail, the Regional Comptroller must refer the debt to the Debt Management Officer as indicated above.

Any debt referred to the Debt Management Officer by the Region that has incomplete documentation or does not provide sufficient evidence that all measures available were taken to collect the debt will be sent back to the Region for collection action to be initiated.

If the debt originated at the Regional Office, the Central Office Finance Branch will perform these functions.

c. **Central Office Oversight.** The Debt Management Officer will recommend final disposition of the debt. This includes deciding if the debt should be referred to the IRS Offset Program or if a recommendation should be made to the Assistant Director for Administration to write off the debt.

At each stage of debt collection, all contacts with the debtor and any actions taken on the debt must be documented to ensure fair and proper debt servicing and improve the chances of collecting delinquent accounts and effectively pursuing litigation.

If the debt originated at the Central Office, the Finance Branch will perform these functions.

4. DEBT COLLECTION METHODS

The following methods are available for the collection of delinquent debt: Administrative Offset, Salary Offset and Litigation for Salary Offset, and IRS Offset Program for former employees.

When the agency becomes aware that a debtor has filed for bankruptcy protection, Agency legal counsel should be consulted for legal guidance prior to continuing any collection activities.

a. **Administrative Offset For Vendors.** Administrative Offset is used to recover debts by withholding payment to a debtor for other outstanding obligations. If the institution plans to use Administrative Offset to collect the debt, the debtor must be notified of the intent in any one of the three demand letters.

The letter(s) must give the debtor the opportunity to:

- Make voluntary repayment.
- Inspect and copy records related to the debt.
- Request a review of the debt.
- Enter into a repayment agreement.

For example, an institution is owed \$150 from a vendor for returned merchandise. The vendor has not refunded the institution the \$150 and 30 days has passed. The institution sends the vendor the required notice(s) and informs the vendor of the institution's intent to collect the \$150 through Administrative Offset. The institution has since purchased more merchandise from this vendor and has received a bill for the merchandise. The institution can subtract \$150 from the bill and pay the balance to the vendor. The \$150 debt has now been collected.

b. **Administrative Offset for Employees.** When it becomes known that an employee is leaving Government service for any reason, it must be determined if the employee is indebted to the Bureau (i.e.; travel advance, salary advance, repayment of relocation allowances for failure to fulfill 12-month service agreement, relocation incentives for failure to fulfill 18-month service agreement). This shall occur during the employee's exit interview. The last department the employee is to check with is the Office of Financial Management (OFM). OFM checks its records and the exit interview sheet ("merry-go-round") to see if any debts exist.

If the employee is indebted, OFM shall demand immediate repayment in full. If payment is not made, the Business Administrator shall prepare a memorandum for the CEO's signature requesting the Human Resource Management Office (HRM) submit a request to the Consolidated Processing unit (CPU) via a MAGIC Helpdesk ticket to hold final payment, lump sum payment, and retirement on the individual.

c. **Salary Offset.** In accordance with 28 CFR §11.8, Salary Offset shall be used to recover delinquent debts owed by current Federal employees, including employees who transfer from the BOP to another Federal agency. Fifteen percent of the employee's disposable income per pay period must be collected through Salary Offset until the debt is paid in full. The debt can also be

referred to DOJ to obtain a judgment. This judgment will allow for the collection of up to 25 percent of the employee's disposable income per pay period.

(1) **Disposable Income Calculation.** Disposable income is the part of the pay remaining after the following deductions:

- Properly withheld Federal, state, or local income tax as required by law if the amounts withheld are not greater than that which would be withheld if the individual claimed all dependents to which the individual is entitled.
- Health insurance premiums, including Medicare.
- Normal retirement contributions, including contributions to the Thrift Savings Fund. Any amounts voluntarily contributed toward additional retirement benefits are considered to be supplementary and not excluded.
- Normal life insurance premiums, not including amounts deducted for supplementary coverage.

Payment plans shall not be accepted for employee debt. Salary Offset must be used.

(2) **Employee Salary Offset Procedures.** In accordance with 28 CFR §11.8, the Business Administrator prepares a memorandum to the HRM requesting Salary Offset for the employee. The memorandum must include the total dollar amount of the debt. The local HRM will submit a request to the CPU via a MAGIC Helpdesk ticket to initiate Salary Offset Procedures for the debtor.

Once the offset has been established, NFC will begin collecting the debt, based on the type of debt. There are two types of debts; minor indebtedness and major indebtedness. A minor indebtedness is less than 15 percent of disposable income and a "one-time" salary offset. A major indebtedness is more than 15 percent of disposable pay and is deducted each pay period until the debt is satisfied.

As the biweekly collections are made, the collections will be applied first to the interest that has accrued on the debt, then to the principal. Any amount remaining unpaid after NFC has completed the payroll deduction to collect the principal amount shall be collected directly from the employee in one lump sum.

If the remaining debt cannot be collected from the employee, refer the debt to NFC for salary offset. In most cases, the amount should be small enough to be considered a minor indebtedness; NFC will collect the debt in one deduction.

If the CEO wants collection in excess of 15 percent, a request must be sent to the Debt Management Officer for a determination. If the Debt Management Officer determines that the debt should be referred to DOJ for a judgment, Accounting Operations, Finance Branch, shall prepare and send a Claims Collection Litigation Report (CCLR) to DOJ (refer to <https://www.justice.gov/sites/default/files/jmd/legacy/2014/05/26/cclr-form-fillable.pdf>). This form can be reproduced locally. For Accounting Operations to complete the CCLR correctly, the CEO's request must include the CCLR with the following information filled in:

- Debtor's name and address, block 4.
- Debtor's Social Security Number, block 4.
- The date the debtor originally defaulted on the obligation or the date of the last payment on the debt that caused default, block 7.
- Whether the debtor has applied for chapter 7, 11, 12, or 13 bankruptcy, block 8c.
- Information on the individual debtor, blocks 12-21.

Instructions on how to fill out each block on the CCLR are included at (<https://www.justice.gov/sites/default/files/jmd/legacy/2014/08/15/claims-collection-litigation-report-instructions.pdf>).

(3) **Additional Information.** In addition to the CCLR, the following information must also be sent to DOJ:

- Name, address, Social Security Number, current place of employment, and debtor's salary, all of which have been verified within six months of the referral.
- Evidence that the debtor has the ability to pay a judgment or the potential to repay (employment data, property, other income) and that a judgment is needed to protect the Government's interest.
- Certificate of Indebtedness (BP-A1112) signed by the Debt Management Officer.
- Copies of relevant account information documents.
- A checklist or report of prior collection actions taken.
- A credit report that is less than six months old at referral, which may be obtained through the Federal Supply Schedule.

(4) **Requests To/From Other Agencies.** Requests for Salary Offset from other Federal agencies shall be honored. In addition, if an employee transfers from the BOP to another Federal agency, the BOP location shall request Salary Offset on that employee from the new Federal employer.

The request for Salary Offset to the debtor's employing agency will occur after the notification and due process period have ended and the debt is upheld, remains unchallenged, or arrangements for voluntary repayment in full of the debt cannot be reached. The institution must certify, in writing, the following facts to the debtor's employing agency:

- That the employee owes the debt.
- The amount and basis of the debt.
- Date on which payment was due.
- That all due process steps have been taken.
- Date the Government's right to collect the debt first began.
- Amount or percentage of disposable pay to be collected each pay period and the number of installments.

d. **IRS Offset.** IRS Offset is used to recover delinquent debt of former employees by withholding all or part of a Federal income tax refund. The IRS collects the money from tax refunds and returns the money, less the IRS servicing fee, to the agency. The DOJ Debt Accounting Operations Group (DAOG) is the host organizer for all DOJ agencies participating in the IRS Offset Program. Accounting Operations, Finance Branch, manages the BOP IRS Offset Program. The guidelines that the BOP must adhere to are issued by DAOG. The Debt Management Officer determines the referral of debt to the IRS Offset Program after the debt has been referred to the Central Office from the Regional Office for collection action.

(1) **Criteria for IRS Offset.** The criteria the Debt Management Officer shall use to determine if a debt qualifies for the IRS Offset Program are:

- The debt must be a past due obligation of an individual (excluding inmates).
- The debt must be delinquent more than three months by January 1 of the coming tax year, but less than 10 years, unless it is a judgment debt.
- The debt must be at least \$25.00.
- A judgment has been obtained or administrative and salary offset remedies have been exhausted for the debt.
- The debt has been reported to a credit bureau, unless the debt is less than \$100.
- Agency records do not contain evidence that the debtor has filed bankruptcy under Title 11 or that, at the time of referral of the debt for offset, the automatic stay is not in effect and the debt was not discharged.

(2) **Information to Forward.** Once the Debt Management Officer decides which debts are to be referred to the IRS Offset Program, Accounting Operations will compile a list of these debts and forward the list, with the following information, to DAOG:

- Debtor's name, Social Security Number, and last known address – without this information, names may not be submitted.
- Reason for the debt – the reason should state the purpose and any available evidence that the debt is legitimate.
- Original amount of the debt – this should include the amount collected, how collected, and amount outstanding.
- Summary of collection efforts – copies of all correspondence to and from the debtor.

Even though a debt has been referred to the IRS for offset, collection efforts are to continue on these accounts unless they have been referred to DOJ for litigation.

(3) **IRS Offset Procedures.** The IRS Offset is processed as follows:

- DAOG forwards a pre-offset list to IRS for matching.
- IRS returns the tape of eligible debtors to DAOG when matches occurred on last name and Social Security Number and provides the last address of the debtor.
- Accounting Operations receives a list from DAOG where matches occurred.
- Debtor receives a 60-day letter from DAOG.
- Debtor must submit evidence of an erroneous bill to Accounting Operations if he/she contests the validity of the debt.
- Accounting Operations submits a list of debts to be removed from the offset program or a list of reduced balances to DAOG.
- DAOG submits a certification tape to IRS for the flagging of accounts for offset.

IRS notifies the debtor in writing when an offset of the tax refund has occurred, how much money was offset, and to whom the money was directed. Any remaining debt balance referred into the program in the previous tax year that still meets the above criteria must be referred again in subsequent years at the Debt Management Officer's discretion.

5. OUTSTANDING TRAVEL ADVANCES

The Business Administrator has the responsibility to ensure that all outstanding travel advances are promptly settled. If an outstanding advance has not been repaid within 10 working days from settlement of the travel voucher, it is delinquent. At that time, two things shall happen:

- The Business Administrator shall issue a 30-day written notice informing the traveler of the nature and amount of the indebtedness, that the debt will accrue interest, the intention to initiate proceedings to collect the debt through Salary Offset, and an explanation of the employee's rights, which include:

- An opportunity to inspect and copy Government records relating to the debt.
- An opportunity for voluntary repayment of the debt in full.
- An opportunity for a hearing concerning the existence of the debt in accordance with the Department of the Treasury's "Guide to Conducting Federal Salary Offset."

■ The debt shall be reclassified from a travel advance to an accounts receivable. This shall be accomplished by billing the employee on an SF-1080. A copy of the Travel Authorization/Advance Form is attached to the SF-1080 as supporting documentation. An Accounts Receivable shall be entered into the Financial System to the appropriation in which the travel advance was set up, using:

Billed Receivable

Post Code BA Employee Debt

Post Code BB Employee Debt by Reclassifying Travel Advance

Select the Appropriate Option for Fund

YREGDOC = XPAYROLL where X is the appropriate FY identifier

RCN = NA

SOC = 8150

This debt accrues interest, as described in Section 9. This entry will automatically reverse the travel advance originally established in General Ledger Account 1410.10, Travel Advances.

Interest will accrue on the receivable. Any amount collected on the receivable will automatically be applied to the interest first and then to the principal.

If the debt has not been paid at the end of the 30-day period, the Business Administrator shall notify the employee, in writing, that the Government, under authority granted by 31 CFR § 901.3 and 5 U.S.C. 5514 and 5705, will exercise its right to offset the debt through payroll deductions. The employee shall be notified of the amount to be deducted each pay period. A sufficient amount is deducted each pay period to effect reasonable prompt settlement (within six months). The Salary Offset shall be in accordance with Section 4.c.

The SF-1080 and General Ledger Account 1310.61, Refund Receivable – Employee Debt, shall evidence the debt owed to the Government.

The collection of the offset is automatically processed with payroll in the Current Year Salaries and Expenses Appropriation.

Within five days of processing of the payroll file in the Financial System and before the close of the accounting period, the offset should be applied to the receivable. The collection is recorded

in SOC 8150. To apply the offset in the Financial System, select Option 9, Apply Payroll Offset to a Receivable in the Accounts Receivable module.

All contacts with the employee shall be documented and attached to the SF-1080.

6. OUTSTANDING SALARY ADVANCES

The Business Administrator has the responsibility to ensure that all outstanding salary advances are promptly settled. Delinquent salary advances shall be collected through Salary Offset in the same manner as outstanding travel advances, as described in Section 5, with the following differences:

- Salary advances are to be repaid by the employee within five working days of receipt of the outstanding salary check.
- When the employee is given the salary advance, a letter shall be issued to the employee from the Business Administrator, through the CEO, stating the time frame for repayment of the salary advance and the employee's responsibility to update the Business Administrator biweekly as to whether the outstanding salary check has been received.
- If the employee fails to update the Business Administrator biweekly of the outstanding salary check's status, the Business Administrator shall follow up monthly with the employee to determine if the outstanding salary check has been received and if payment is due. All contacts with the employees shall be documented and maintained in a file.
- If the employee does not repay the salary advance within five working days of receipt of the outstanding salary check, the debt is delinquent and the Business Administrator shall issue the 30-day written notice (including a statement that the debt will accrue interest), bill the employee, and reclassify the debt from a salary advance to an accounts receivable as explained below:

Billed Receivable

Post Code BA Employee Debt

Post Code BB Employee Debt by Reclassifying Travel Advance

Select Employee Debt by Reclassifying Salary Advance

This will generate automatic entries to General Ledger Account 1310.61, Refund Receivable – Employee Debt. This debt will accrue interest as described in Section 9.

7. SERVICE AGREEMENTS

If an employee does not meet the terms of the service agreement, the employee is indebted to the United States Government for any funds expended by the United States Government. If the employee is indebted, OFM shall demand payment in full from the employee. If payment is not made, these amounts are to be collected through Administrative Offset as discussed in Section 4. Exceptions to repayment may be made if approved by the Assistant Director for Administration. This authority has been redelegated from the Director, Bureau of Prisons.

8. COMPROMISE OF CLAIM

Compromise of claim is a method of satisfying current or former employee debt by accepting less than the full amount of the debt for repayment. A request for compromise of claim or waiver per the Master Agreement can be made in cases involving employment-related debt; specifically, for overpayments or erroneous payments of salary, benefits, and travel.

a. **Criteria.** A compromise may be considered when one or more of the following criteria apply:

- The debtor is unable to pay the debt within a reasonable time period.
- The debtor refuses to pay the full amount and the agency is unable to enforce collection (e.g., unable to prove the case in court or dispute with debtor over the amount of the debt).
- The cost of collection does not justify enforced collection of the full amount.

In cases involving overpayments to employees of salary and travel, the Debt Management Officer shall consider whether equity and good conscience counsel in favor of compromise of the claim.

In making such determinations, the Debt Management Officer may consider, but is not bound by, the opinions of the Comptroller General of the United States interpreting 5 U.S.C. 5584.

b. **Redelegation of Authority.** Redelegation of authority to compromise a claim has been transferred to the Director, Bureau of Prisons, by Department of Justice Order 2120.4F, paragraph 5.c. The Director can compromise claims of up to \$100,000 (31 U.S.C. 3711(a)(2)). The Director has further redelegated this authority to the Assistant Director for Administration.

c. **Request for Compromise of Claim.** A Request for Compromise of Claim (Form DOJ-127, https://www.justice.gov/sites/default/files/oarm/pages/attachments/2015/04/21/doj_form_127.pdf) may be initiated by the employee against whom the claim was made or any person having a direct interest in the compromise.

The Request for Compromise of Claim shall be submitted to the employee's CEO. The CEO shall request an investigation be conducted by the appropriate office (i.e., Financial Management for travel-related debts and the Human Resource Management Office for salary-related debts) to determine the nature of the overpayment. The investigative report should provide when, why, and how the overpayment occurred and whether or not the circumstances satisfy any of the standards for compromise, as outlined in this subsection.

In addition, consideration shall be given as to whether or not the employee knew or should have known of the overpayment at the time it occurred and promptly reported it.

If the CEO recommends approval of the Request for Compromise of Claim, the request should be forwarded, with the investigative report, all supporting documentation, a computation of the amount requested to be compromised, and an explanation, to the Debt Management Officer through the Regional Director. For claims originating in the Central Office, the Request for Compromise of Claim, the investigative report, all supporting documentation, a computation of the amount requested to be compromised, and an explanation shall be routed through the appropriate Assistant Director to the Debt Management Officer for disposition. If the Debt Management Officer concurs with the recommendation to approve the compromise of claim, the Debt Management Officer forwards the compromise of claim to the Assistant Director for Administration, recommending that the request be approved. If the Debt Management Officer does not approve the compromise of claim, the request is returned to the Regional Director (or Assistant Director, as appropriate) with an explanation of the denial.

If the CEO (or Assistant Director, as appropriate) does not recommend approval of the Request for Compromise of Claim, the request shall be returned to the originator explaining why the claim was denied via BOP Internal Email System. If the CEO recommends approval of the claim, but the Regional Director does not, the Regional Director returns the request to the CEO and the originator with an explanation as to why the claim was denied via BOP Internal Email System. In each case, a copy of the explanation, the Request for Compromise of Claim, and the investigative report are forwarded to the Debt Management Officer.

The employee has the right to appeal any denied claim to the Debt Management Officer. The Employee shall request the appeal with a cover memorandum and include all relevant documentation. The appeal must be submitted no later than 30 days from date of receiving the denial.

There are a few instances in which the amount compromised is to be reported to the Internal Revenue Service (IRS). The Debt Management Officer is responsible for determining if the

amount compromised meets the criteria for IRS reporting. If it does, Accounting Operations shall make the report and address the requirement in the approval letter.

9. INTEREST ON PAST DUE BILLS – NON-GOVERNMENT

Bills for which payment has not been received within 30 days are considered overdue. Debt management policy provides for the application of interest on these bills.

a. **Interest Rates.** Interest rates are determined by the current value of funds to the Treasury. This value is transmitted by Treasury Financial Manual bulletins and presented in the form of an interest rate. This percentage rate is entered into the Financial System via a computer program that automatically computes the monthly interest rate.

b. **Interest.** Interest will be computed monthly for each overdue bill. As bills are collected, the amount received will first be applied to the interest and the remaining portion to the principal amount of the bill. Partially paid bills continue to accrue interest and shall be listed on the next billing statement.

c. **Adjustments.** Adjustments to incorrect interest charges may be made. An example would be a bill that has been paid in full, but the entry was not entered into Financial Systems during the proper month. Interest adjustments are made in the Accounts Receivable module in the Financial System.

10. GOVERNMENT RECEIVABLES

In accordance with 31 CFR § 900.3, Federal agencies should attempt to resolve interagency claims by negotiation. Therefore, outstanding UNICOR and other Government agency receivables that the institution cannot collect through its own efforts after three months are referred to the Debt Management Officer through the appropriate Regional Comptroller for collection.

11. WRITE-OFF OF DELINQUENT DEBT (CLOSE-OUT)

Once the debt has been referred to the Central Office, the Debt Management Officer determines if the debt is collectible. If the debt is determined to be collectible, the Central Office follows the procedures in Section 4. However, if these collection efforts fail and the Debt Management Officer determines that the debt is uncollectible, the debt can be written off with the Assistant Director for Administration's approval. The Debt Management Officer will recommend the write-off of the debt to the Assistant Director for Administration. The Debt Management Officer

shall refer delinquent debts with principal balances greater than \$100,000 to DOJ for concurrence of terminating collection activity.

A debt can be considered uncollectible, collection activity can be terminated, and the debt can be written-off when one or more of the following criteria apply:

- The debt is legally without merit. Debt in this category was never owed and should not have been classified as a debt.
- The debt cannot be substantiated. This debt cannot be validated because the evidence or witnesses to validate the claim cannot be produced and voluntary repayment of the debt has not been obtained.
- The costs of further collection action will probably exceed the amount that could be recovered.
- The debtor cannot be located, or there is no security to be liquidated to recover the amount owed, or the Federal statute of limitations has expired for litigation (six years) and Administrative Offset (10 years) and the statutes of the state in which the debtor resides preclude further collection, or the chances of recovering the debt do not justify retaining the debt as a receivable.
- A substantial amount of the debt has not/cannot be collected. For example, the debtor has been declared bankrupt.

Written-off debts shall be closed and the debtor's account information removed from the active files. Debt referred to DOJ for litigation cannot be written off while it is in litigation.

If the amount exceeds \$600 and the debt has been written off, Accounting Operations, Finance Branch, shall report the amount to the Internal Revenue Service (IRS) on Form 1099-C - Cancellation of Debt (<https://www.irs.gov/pub/irs-pdf/f1099g.pdf>). This is a regulatory requirement established by Treasury and OMB. When the debt is reported, the IRS will match the Form 1099-C against individual tax returns to determine if the debtor has reported the discharge of the debt as income.

Debts owed by individuals, partnerships, sole proprietorships, and corporations are to be reported. Accounting Operations will provide the debtor with a copy of Form 1099-C or a written statement of impending 1099-C report by January 31 of the year following the year in which the debt was written off. The 1099-C must be sent to the IRS by March 1 of that same year. It is sent to the following address:

Internal Revenue Service
Philadelphia, PA 19255

12. RELIEF OF ACCOUNTABLE OFFICERS

a. **Definitions.** Accountable Officers: Disbursing officers, certifying officers, cashiers, procurement officers, and other employees who by virtue of their employment are responsible for the obligation, custody, or payment of public funds.

b. Roles and Responsibilities

(1) **Bureau General Counsels.** Bureau General Counsels are delegated the authority to render Advance Legal Opinions to any Accountable Officer within the Bureau when requested on the legality of any obligation or claim represented to them for approval, certification, or payment.

(2) **Bureau Chief Financial Officer (CFO).** The Bureau's CFO, the Assistant Director for Administration, is the delegated authority to act as Relief Authority to consider Accountable Officer requests for retrospective relief from liability for an irregularity up to \$10,000.

(3) **Bureau Director.** The Bureau Director is the delegated authority to:

- Act as a Relief Authority to consider Accountable Officer requests for retrospective relief from a liability between \$10,000 and \$50,000 originating in the Bureau.
- Act as a Relief Review Authority to consider Accountable Officer requests for appeal of denial by the Bureau CFO on retrospective relief from liability up to \$10,000 within the Bureau.

The Bureau Director may not redelegate authority under this paragraph below the level of Deputy Director.

(4) **Director or Deputy Director, JMD Finance Staff.** The Director or Deputy Director, JMD Finance Staff, has the delegated authority to act as a Relief Authority to consider Accountable Officer requests for retrospective relief from a liability up to \$50,000 originating within the Department of Justice and its Components.

(5) **Assistant Attorney General for Administration (AAG/A).** The AAG/A is the delegated authority to:

- Act as Relief Authority to consider Accountable Officer requests for relief from irregularities over \$50,000 originating anywhere within the Department of Justice. Such requests for relief must be submitted through the Director, JMD Finance Staff, and must be accompanied by the recommendation of the originating agency if outside of JMD.

- Act as a Relief Review Authority to consider Accountable Officer requests for appeal of denial of the Bureau Director on retrospective relief from liability between \$10,000 and \$50,000 or of the Director or Deputy Director, JMD Finance Staff, on retrospective relief from liability up to \$50,000. Any request for such review must be submitted to the AAG/A through the Director, JMD Finance Staff.

13. ACCOUNTS RECEIVABLE REVIEW AND CERTIFICATION

Part of effective cash management practices is the timely collection of outstanding receivables and the accurate reporting of receivables to outside agencies. To aid in the BOP's timely collection and accurate reporting of accounts receivable and reimbursement receivables, each institution is required to review the following general ledger accounts for all appropriations each month:

- 1310.10 Reimbursable Receivable – Federal/Billed
- 1310.20 Reimbursable Receivable – Federal/Unbilled
- 1310.30 Reimbursable Receivable – Other/Billed
- 1310.40 Reimbursable Receivable – Other/Unbilled
- 1310.50 Refund Receivable – Federal
- 1310.51 Refund Receivable – Federal – Unbilled
- 1310.60 Refund Receivable – Other
- 1310.61 Refund Receivable – Employee Debt
- 1310.63 Refund Receivable – Other – Unbilled
- 1310.80 Accounts Receivable - Miscellaneous – Federal
- 1310.81 Accounts Receivable – Trust Fund Billed Income Employee Organizations
- 1310.82 Accounts Receivable – Trust Fund Billed Income Vending Machines
- 1310.83 Accounts Receivable – Trust Fund Billed Miscellaneous Income
- 1310.85 Accounts Receivable – Trust Fund Billed ITS Commissions
- 1310.87 Accounts Receivable Miscellaneous Other
- 1310.91 Accounts Receivable Trust Fund Unbilled Income Employee Organizations
- 1310.92 Accounts Receivable Trust Fund Unbilled Income Vending Machines
- 1310.93 Accounts Receivable Trust Fund Unbilled Miscellaneous Income
- 1310.95 Accounts Receivable Trust Fund Unbilled ITS Commissions
- 1340.10 Interest Receivable – Federal
- 1340.20 Interest Receivable - Other

In addition, the Report of Reimbursements Billed-and the Open Refund Receivables are to be reviewed monthly for accuracy.

OMB, in OMB Circular A-129, dated January 2013, requires agency heads or their designees to certify the accounts receivables for their organizations as reported on the Report on

Accounts Receivable and Loans Receivable Due From the Public (SF 220-9). All CEOs and Regional Directors are required to certify all accounts receivables for their locations annually. The certification shall be required for balances each September 30 (Attachment A). With these certifications, the Director, BOP, will certify total accounts receivable for the BOP to the Assistant Attorney General, Department of Justice, with full knowledge that the accounts receivable reported on the SF 220-9 are accurate.

The certification is required in October of each year after year-end close-out. The Central Office will advise the field of the certification's exact due date.

14. OVERSIGHT RESPONSIBILITIES

Each Regional Office and the Central Office have oversight responsibilities for the BOP Debt Management Program. These responsibilities are as follows:

- a. **Regional Office.** Each Regional Office is to provide institutions with assistance in maintaining current accounts receivables and collecting delinquent debt. Each month, the Regional Accountants review each institution's proof-check and the receivable reports to monitor accounts receivables. If the review of these reports reveals that the institution has receivables over 135 days past due, the Regional Office is to request information on these receivables, unless the receivables are already in the Regional Office for collection purposes.
- b. **Central Office.** The Central Office is to provide guidance to the institutions and Regional Offices on the Debt Management Program. Each month, Accounting Operations reviews the receivable reports for each Region to determine if there are any trends in the receivable accounts. If receivables are increasing in size and/or age, further documentation on the receivables is to be requested from the Regional Office.

REFERENCES

Program Statements

P2200.03 BOP Travel Regulations (08/26/16)

Other References

- Department of Justice (DOJ) Order 1401, Settlement of Accounts and Relief of Accountable Officers
- DOJ 2120.3C, Collection of Debts by the Department of Justice
- 31 U.S.C. §§3527, General Authority to Relieve Accountable Officials and Agents from Liability

- 31 U.S.C. §§3528, Responsibilities and Relief from Liability of Certifying Officials
- Master Agreement

BOP Forms

BP-A1112 Federal Bureau of Prisons Certificate of Indebtedness

ACA Standards (see Program Statement Directives Management Manual, Section 2.5 & 10.3)

- American Correctional Association 4th Edition Standards for Adult Correctional Institutions: 4-4031.
- American Correctional Association Performance Based Standards for Adult Local Detention Facilities, 4th Edition: 4-ALDF-7D-11.
- American Correctional Association Standards for Administration of Correctional Agencies, 2nd Edition: 2-CO-1B-01.
- American Correctional Associations Standards for Correctional Training Academies: None.

Records Retention Requirements

Requirements and retention guidance for records and information applicable to this program are available in the Records and Information Disposition Schedule (RIDS) on Sallyport.

Attachment A. Status of Receivables Certification

Accounts Receivable	Amount
1310.10 Reimbursable Receivable – Federal/Billed	
1310.20 Reimbursable Receivable – Federal/Unbilled	
1310.30 Reimbursable Receivable – Other/Billed	
1310.40 Reimbursable Receivable – Other/Unbilled	
1310.50 Refund Receivable – Federal	
1310.51 Refund Receivable – Federal – Unbilled	
1310.60 Refund Receivable – Other	
1310.61 Refund Receivable – Employee Debt	
1310.63 Refund Receivable – Other – Unbilled	
1310.80 Accounts Receivable – Miscellaneous – Federal	
1310.81 Accounts Receivable – Trust Fund Billed Income Employee Organizations	
1310.82 Accounts Receivable – Trust Fund Billed Income Vending Machines	
1310.83 Accounts Receivable – Trust Fund Billed Miscellaneous Income	
1310.85 Accounts Receivable – Trust Fund Billed ITS Commissions	
1310.87 Accounts Receivable Miscellaneous Other	
1310.91 Accounts Receivable Trust Fund Unbilled Income Employee Organizations	
1310.92 Accounts Receivable Trust Fund Unbilled Income Vending Machines	
1310.93 Accounts Receivable Trust Fund Unbilled Miscellaneous Income	
1310.95 Accounts Receivable Trust Fund Unbilled ITS Commissions	
1340.10 Interest Receivable – Federal	
1340.20 Interest Receivable – Other	

I have reviewed the above information for the period ended September 30, 20__ ,and, in my opinion, the information presented is accurate and consistent with Bureau of Prisons accounting systems and policies.

Chief Executive Officer (Signature)

Date