

VENDOR DEBTS

- 1. REASON FOR ISSUE:** To revise Department of Veterans Affairs (VA) debt management procedures formerly contained in VA Manual MP-4, part VIII, chapter 11, Vendor Debts.
- 2. SUMMARY OF CONTENTS/MAJOR CHANGES:** This handbook standardizes Department-wide procedures for the collection of vendor debts. The only significant change since the last publication of MP-4 part VIII concerns the procedures found in paragraph 4.b. regarding collection upon receipt of a credit memo.
- 3. RESPONSIBLE OFFICE:** Cash and Debt Management Division (047GC1), Office of the Deputy Assistant Secretary for Finance.
- 4. RELATED DIRECTIVE:** VA Directive 4800, Debt Management.
- 5. RESCISSIONS:** VA Manual MP-4, part VIII, chapter 11, dated September 22, 1992.

**CERTIFIED BY:
SECRETARY**

**BY DIRECTION OF THE
OF VETERANS AFFAIRS**

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VENDOR DEBTS

- 1. PURPOSE AND SCOPE.** This handbook establishes standardized Department-wide procedures for the collection of vendor debts.
- 2. RESPONSIBILITY.** The Chief of the Fiscal Activity must ensure that appropriate procedures in accordance with this handbook are followed when collecting vendor debts.
- 3. GENERAL.** This chapter provides procedures for the collection of vendor debts resulting from overpayments, duplicate payments, return of merchandise, contract defaults, and other activities whereby a vendor may become indebted to VA.

4. COLLECTION PROCEDURES

a. When the Overpayment is discovered by VA.

(1) A VA Form Letter (FL) 4-521, or VA Form Letter (FL) 4-521a, will be sent to a vendor upon discovery that a transaction resulting in a debt to VA has occurred. The letter will state that:

(a) The vendor has the right to dispute the existence and amount of the debt.

(b) Interest, administrative costs, and other charges will be assessed if payment in full is not received within 30 days from date of initial notification. (Note: Interest and other late charges will not be assessed on debts owed by the Canteen Service).

(c) Additional penalty charges will be assessed if the debt is not paid in full or in a current repayment plan within 120 days from the date of initial notification.

(d) If payment is not made timely, the amount owed, plus interest and other late payment charges, will be offset from future payments owed the vendor by VA.

(2) A billed account receivable will be established simultaneously with the mailing of the FL 4-521 or FL 4-521a.

(3) Offset of payments to the indebted vendor should be initiated 30 days after the date of the FL 4-521 or FL 4-521a if the vendor has not disputed the existence or amount of the debt or if the debt has not been paid in full and if other payment arrangements have not been made.

(4) In accordance with 31 CFR 901.2(a), generally one demand letter is sufficient. However, follow-up letters will be sent at 30-day intervals if payment is not received, unless offset is initiated.

(5) If offset is initiated, but does not result in full liquidation of the receivable, standard collection procedures should be followed.

b. When the Overpayment is identified by a Vendor Credit Memo.

(1) A billed account receivable will be established upon receipt of the credit memo.

(2) VA FL 4-550, or VA FL 4-521a, will be sent to the vendor. The letter will state that:

(a) The credit memo has been received.

(b) Interest, administrative costs, and other charges will be assessed if VA is not able to collect the full amount of the debt by offsetting a payment to the vendor within 30 days or the vendor does not submit payment in full within 30 days from date of initial notification (Note: Interest and other late charges will not be assessed on debts owed by the Canteen Service).

(c) Penalty charges will be assessed if the debt is not paid in full, or in a current repayment plan, within 120 days from the date of initial notification.

(d) If the vendor is not expecting to receive a payment from VA in an amount equal to or greater than the amount of the credit memo, the vendor should remit payment in full or contact the appropriate office to make other payment arrangements within 30 days.

(e) If the vendor disputes in writing the existence or amount of the debt within 30 days, then VA will not withhold any future payments until it is confirmed that the vendor owes the debt and the amount is correct.

5. LATE CHARGES. Interest, administrative costs, penalties and other charges will be assessed on vendor debts in accordance with 31 CFR §901.9 and VA Handbook 4800.9, Interest, Administrative Costs, and Penalty Charges. Interest accrues from the date of initial notification. Administrative costs accrue beginning 31 days from the date of initial notification. Penalty charges will be assessed if a debt is not paid in full or in a current repayment plan within 90 days of delinquency, counted 31 days from the date of the initial demand letter.

6. COMPROMISE AUTHORITY. In accordance with VA Handbook 4800.4, Compromise of Debts, the Chief of the Fiscal Activity has authority on debts not in excess of \$1,000 (exclusive of interest and other late payment charges) to:

(1) Reject any offer of compromise, or

(2) Accept compromise offers of 50 percent or more on the total debt, or

(3) Recommend that the Committee on Waiver and Compromises (COWC) accept a compromise offer of less than 50 percent.

7. REFERRAL FOR ENFORCED COLLECTION. In accordance with 31 CFR §904.4(a), vendor debts with a balance of at least \$2500 (exclusive of interest and other late payment charges), may be referred for enforced collection through the Regional Counsel (RC) to the United States Attorney in whose judicial district the debtor can be found. Debts of lesser amounts cannot be referred unless they meet the requirements set forth in §904.4(b). Eligible vendor debts must be referred to the Department of the Treasury (Treasury) for offset and cross

servicing when they become 180 days delinquent (see VA Handbook 4800.7, Treasury Offset Program and Treasury Cross Servicing). Before submitting a debt for either enforced collection or to Treasury, the Chief of the Fiscal Activity should contact VA's Financial Services Center (FSC), Enterprise Service, Operational Oversight Division, Quality Review Staff, to determine if the vendor is receiving payments from other VA facilities that could be offset. VA's FSC Quality Review Staff can assist with appropriate actions necessary for an offset.

8. WRITE-OFF/TERMINATION

a. In accordance with VA Handbook 4800.6, Termination of Collection Action and Close Out of Debts, the Chief of the Fiscal Activity may write off vendor debts not in excess of \$40,000, exclusive of interest and other charges, where the criteria for write off of debts have been met. Before taking such action, the Financial Management System payment fields should be reviewed in order to ensure that the vendor is not to receive payments that should be withheld and applied to the debt. The action taken, reasons for the decision, and the applicable standard(s) that were applied, will be documented on the appropriate accounts receivable record. However, prior to writing off any vendor debts, the Chief of the Fiscal Activity should contact VA's FSC, Enterprise Service, Operational Oversight Division, Quality Review Staff, to determine if the vendor is receiving payments from other VA facilities.

b. For debts in excess of \$40,000 but less than \$100,000, the authority to terminate these debts is dependent upon the delegations of authority from the CFOs. Authority to terminate debts up to \$100,000 has been granted to the CFO for each administration. It is left to the discretion of each CFO to retain this authority or to redelegate it to whatever level is deemed appropriate.

c. Debts in excess of \$100,000 are to be submitted through the RC to VACO (047GC1), along with a Claims Collection Litigation Report. VACO (047GC1) will review the requests and submit them to the Department of Justice (DOJ) for approval.