

<b>Financial Management Circular</b>	<b>#2018-1</b>
<b>Effective Date</b>	<b>March 29, 2018</b>
<b>General Subject</b>	<b>Offsets by the U.S. Treasury</b>
<b>Specific Subject</b>	<b>Process for Managing and Accounting for the Impact of U.S. Treasury Offsets Caused by a Federal Dispute (Replaces FMC #2010-1)</b>
<b>Authority</b>	<b>IC 4-12-1</b>
<b>Application</b>	<b>This Circular applies to all instrumentalities (hereinafter referred to as “State agencies”) of the Executive Branch, including all bodies corporate and politic, whose employee benefits are administered by the State Personnel Department. This circular does not apply to school corporations.</b>

**Section 1: Background** – The Treasury Offset Program (TOP) is administered by the Bureau of Fiscal Service’s Debt Management Services, whose role is to collect delinquent debts owed to federal agencies and states. In practice, what often happens is that if the State of Indiana owes a debt to a federal agency, the US Treasury will recover the debt by decreasing an existing federal grant payment/reimbursement due to a state agency. It is important to note that the state agency responsible for the debt is typically not the same agency for which the grant payment has been offset or reduced.

If any State agency receives a delinquent debt notification (*Demand Letter, Notice of Intent to Refer, 10 Day Notice, or Offset Notice*), from a federal government agency (federal creditor agency), it is the responsibility of that agency to promptly act on that notice to resolve the delinquent debt in a timely manner to prevent the debt’s submission into a TOP. State agencies must understand the importance of paying debts to federal agencies on time and how offsets may impact the release or draw down on federal funds. This circular will discuss the process for researching recovery of the debt and how an agency whose federal payment/reimbursement has been offset should account for the reduced payment.

**Section 2: Purpose** - To implement a uniform process for tracking Treasury offsets and reimbursing adversely impacted state agencies. Federal receivables will be recorded in the adversely impacted state agencies' fund and project receiving the offset. The offset should be recorded with the same chartfields as the rest of the federal payment/reimbursement, however, the offset amount should be identified under account number **'443200' Treasury Offset Program Revenue**. State agencies who have been negatively impacted by a TOP should reconcile any outstanding Treasury Offset Program Revenue prior to closing the respective federal grant within the Project Costing module.

**Section 3: Process** – If any State agency receives a federal offset (TOP) when requesting federal reimbursement it is the responsibility of that agency to record the deposit properly and identify the agency that created the original debt. Follow the steps below. The State Budget Agency will monitor unresolved offsets, and work with agencies to identify funds so that the 443200 account and federal project is made whole.

1. If the offset is against a Federal Draw Billing (FDB) Invoice, the agency will apply the offset amount on the deposit to their agency chartfields using the new account 443200 – Treasury Offset Program revenue. If the offset is NOT against a FDB Invoice, the agency will report the wired amount on the deposit to account 441000 – Federal grant revenue.
2. The state agency will then research the offset to determine which agency owed the debt that resulted in the offset. Contact the US Department of Treasury, Financial Management Service at 1-800-304-3107. A monthly report received from the Bureau of Fiscal Services Debt Management Services that provides any offsets from the prior month and open debts will be placed on the PeopleSoft Financials webpage:  
<https://myshare.in.gov/SBA/encompass/Shared%20Documents/Forms/AllItems.aspx?RootFolder=%2fSBA%2fencompass%2fShared%20Documents%2fTreasury%20Offset%20Program%20%28TOP%29&FolderCTID=0x012000BCB1AAB4C101E043ACA92C4E2CAF12AC> for use by state agencies to resolve any debts and to help prevent their referral to TOP.
3. Once the impacted state agency has identified the owner of the debt, the agency shall submit a *Request for Recovery of US Treasury Offset* form to the agency 'owning' the debt. If the impacted state agency offset is against a FDB invoice, the *Request for Recovery of US Treasury Offset* form should reference account number 443200. If the impacted state agency offset is not against a FDB invoice, the *Request for Recovery of US Treasury Offset* form should reference account number 441000.
4. If the account number on the *Request for Recovery of US Treasury Offset* form is 443200, the owning agency will reimburse the impacted agency using a "zero dollar ROC" and clear out the 443200 account. If the account number on the *Request for Recovery of US Treasury Offset* form is 441000, the owning agency shall create a journal entry to reimburse the impacted agency using account number 441000.
5. The State agency impacted shall maintain records of the offsets, noting the amounts offset, and revenue recovered.

