



DEPARTMENT OF WAR
FINANCIAL MANAGEMENT REGULATION
VOLUME 16: "DEBT MANAGEMENT POLICY"
UNDER SECRETARY OF WAR
(COMPTROLLER)

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VOLUME 16:**DEBT MANAGEMENT POLICY****1.0 GENERAL****1.1 Overview**

This volume provides an overview of the policies and requirements for collection and management of debt owed to the DoW by any person, organization, or entity (to include civilian employees, Service members, retired personnel, foreign entities, and contractors). It does not provide policy and requirements for collection and management of debt owed by another Federal agency. Debt Collection Offices (DCO) must follow this volume's policy in the collection of public debts owed to the DoW. This volume also specifically provides policy and requirements pertaining to the submission and processing of petitions for hearings or requests for review in order to dispute debt owed by individuals, as well as waiver and remission/cancellation applications. Furthermore, this volume establishes policy and requirements for the DoW Components for the accounting and reporting of interest, penalties, and administrative charges on delinquent debts and debts repaid via installment agreement or salary offset.

1.2 Purpose

Volume 16 establishes the financial management policy for the collection and management of debt owed to the Department of War by any person, organization, or entity. It states the binding policy only; procedures, implementation guidance, definitions, and data tables reside in the companion documents identified below.

1.3 Authoritative Guidance

Refer to the authoritative guidance document on the FMR webpage.

1.4 Definitions

Refer to the Glossary of terms document on the FMR webpage.

1.5 Procedures

Refer to the Supplemental document listed throughout this volume.

2.0 GENERAL PROVISIONS FOR DOW DEBT MANAGEMENT

2.1 Overview

2.1.1. Policy and requirements in this volume apply to administrative actions associated with the collection and disposition of debts that are owed to the DoW by any person, organization, or entity except another Federal agency. Policy and requirements regarding debts owed to the DoW by Federal agencies, as well as requirements for recording and reporting accounts receivable, are contained in Volume 4.

2.1.2. This volume does not establish policy for billing and collecting for non-Foreign Military Sales (FMS) fuel debts, foreign fuel exchange agreement debts, foreign direct bills, or FMS fuel debts. Unpaid debts related to fuel agreements, to include Replacement-in-Kind/Equal Value Exchange settlements, foreign direct bills, and FMS, should be billed and elevated through the Defense Logistics Agency - Finance Energy (paragraph 7.2 is not applicable).

2.1.3. Where specific statutory authority applies to the collection of a particular category of debt, the provisions of the applicable statute will determine the appropriate debt collection procedures. For additional information on what this volume does and does not pertain to, review the DFAS Procedures, Guidance, and Instructions (PGI).

2.1.4. Payments of amounts owed to DoW by organizations, businesses, and individuals must be made in accordance with the terms specified in contracts, agreements, or demand letters.

2.1.5. Volume 16 must not be interpreted in a manner that would impair DoW's ability to collect debts under common law using any available statutory authority.

2.1.6. Nothing in Volume 16 or the Federal Claims Collection Standards (FCCS) (Title 31, Code of Federal Regulations (CFR), parts 900-904) requires the omission or duplication of administrative proceedings associated with debt collection that may be required by other laws or regulations. DoW's failure to comply with this volume or the FCCS does not create any right or benefit, substantive or procedural, enforceable by law or in equity by a party against the United States, its agencies, its officers, or any other person. Refer to 31 CFR 900.7-900.8.

2.2 Debt Management Program

2.2.1 Each DoW Component must establish and maintain a debt management program to identify, recover, and collect debts owed by individuals to the United States. DoW Components must clearly designate the DCOs responsible for recovery and collection of debts within the Component. Components must recover debts promptly, using a strategy determined to result in the maximum recovery of debt. DoW Components must ensure debtors are afforded due process, in the form of proper debt notification and the right to review, per Volume 16 and applicable U.S. Department of the Treasury regulations and guidance. DoW Components must

establish guidance that clearly assigns responsibilities for processing, monitoring, reporting, and closing out delinquent debts.

2.3 Debt Prevention and Monitoring

2.3.1. DoW Components must institute procedures and assign responsibility to designated personnel (including contractors and vendors), as necessary, to ensure that appropriate personnel and organizations (personnel, entitlement, payroll, finance and accounting, disbursing, and legal offices) are promptly notified and kept apprised of activities that could give rise to indebtedness by any member, employee, or other personnel. Such indebtedness could result from an employment or other financial or contractual relationship between DoW and the debtor. DoW Components must maintain continuous communication and follow up to prevent indebtedness from remaining unresolved for an extended period.

2.3.2. DoW officials must establish procedures to identify the causes of indebtedness, delinquencies, and defaults, and must take corrective action to mitigate those causes and thereby reduce the number of debts subject to collection.

2.4 DCOs must share information concerning debtors. DCOs must cooperate with each other and with other Federal agencies, including any private debt collection agencies and credit bureaus working on behalf of such agencies. DCOs must take all actions necessary to facilitate collection of delinquent debts owed by current and former DoW civilian employees and military members, as well as other debtors.

2.5 DoW officials, including contracting officers, contractor/vendor pay offices, disbursing officers, and AROs, must cooperate with each other to ensure that debts are collected, properly recorded in the accounting systems, and accurately reported in the agency's financial statements.

2.6 The DCO must document all debt collection activities, including how the debt was established, due-process procedures, installment payment plan agreements, collection activity, and the basis for debt compromise, suspension, or termination of collection action. The DCO must also document bankruptcy activity if applicable. The DCO should retain documentation in individual debtor files and provide it to the office responsible for recording and reporting the related accounts receivable.

2.7 DoW Components must use automated debt collection and reporting systems to the extent feasible and cost effective for recording, processing, and controlling debts. The Deputy Chief Financial Officer created the DDMG, signed August 31, 2012, which defines the end state of debt management through incorporation of Services' and Agencies' ERP systems. Components must use these systems to the fullest extent possible in compliance with the DDMG.

2.8 Internal Controls

2.9 DoW Components involved in the collection and management of debts owed to the DoW must adhere to the basic internal-control standards prescribed in DoW Instruction 5010.40, "Managers' Internal Control Program Procedures." DoW Components will establish and maintain internal controls to ensure that debts owed to DoW are recorded, reported, managed, and aggressively collected.

2.10 Major categories of receivables must be maintained to facilitate clear and full disclosure (disclose the debtor, the amount, the age, and the type of debt). Subsidiary records must be reconciled to the control accounts at least monthly. DoW Components must document the date of a debt so that timely and appropriate collection and follow-up action can be accomplished. Refer to Volume 4, Section 3 for guidance on recording and reporting accounts receivables.

3.0 GENERAL INSTRUCTIONS FOR COLLECTION OF DEBT OWED TO THE DOW

3.1 DCOs must promptly and aggressively initiate collection action on all established debts owed to the DoW and must complete follow-up actions to ensure successful repayment to the DoW. DCOs may use Treasury-designated debt collection centers to pursue collection. For additional information, refer to Fiscal Service's Centralized Receivables Service.

3.2 Statute of Limitations for Collecting Debts

3.2.1. The DoW may refer a debt to the Department of Justice (DOJ) for litigation against a debtor in order to enforce collection or obtain a judgment in favor of the DoW. Federal law limits the period of time within which an agency may file a lawsuit to collect a debt. In accordance with 28 U.S.C. § 2415, the statute of limitations for filing a lawsuit to pursue debt collection is generally the later of 6 years from the date the right of action accrues (date of delinquency), or 1 year after a final decision has been rendered in an administrative proceeding, such as an action before the Armed Services Board of Contract Appeals. For additional guidance on referring debts to DOJ for litigation, refer to section 13.0.

3.2.2. Time Limit for Collection by Administrative Offset. Section 14219 of P.L. 110-246 amended 31 U.S.C. § 3716(e) to eliminate the 10-year statute of limitations on collection by administrative offset. In 2016, Section 671 of P.L. 114-328 amended 37 U.S.C. § 1007 and provided a new statute of limitation for the collection of certain debts incurred on or after December 23, 2016, by a member of the uniformed services. As a result, time limits on the collection of debts differ for civilians and members of the uniformed services. Reference the DFAS Implementation Guidance for further instruction.

3.3 Nothing in this volume precludes the DoW from demanding the return of specific Government-furnished property or payment of the value of the property.

3.4 Recovery Tools for Debts

3.4.1. Common Debt Collection Methods Used

3.4.2. Whenever possible, the DoW should collect a debt in a single lump-sum payment from the debtor. A debtor may request to pay by installment agreement or may permit the withholding (offset) of funds payable to the debtor by the United States. Voluntary repayment by direct remittance or offset is the preferred method for collecting debts.

3.5 Due Process

3.5.1 In the context of Federal debt collection, the constitutional right of “due process” requires an agency to provide debtors with written notice of the debt and an opportunity to dispute the debt. Due process is required prior to an involuntary salary offset (5 U.S.C. § 5514) or administrative offset (31 U.S.C. § 3716). Except under certain limited circumstances, debtors must receive due process prior to the initiation of debt collection. Written debt notifications must adhere to the requirements at section 5.0. The requirements for disputing a debt are set out in Section 4.

3.5.2. Due-process requirements do not preclude a debtor from repaying the debt before or during due process, and such payment does not waive any due-process right. A debtor may repay at any time after receiving the initial notification of indebtedness, the DCO's reconsideration or review results, a hearing official's determination, or a decision on a request for waiver or remission of the overpayment. Repayment may also be accepted while any of these actions are pending. If payment is received and the debt is later determined invalid, a full or partial refund (including interest and fees) may be necessary depending on the circumstances.

3.6 Requirements for Routine Pay Adjustments

3.6.1. In accordance with 5 U.S.C. § 5514, DCOs are not required to provide due process procedures prior to collecting overpayments of pay and allowances from Federal employees and Service members through routine intra-agency pay adjustments that have occurred within the four pay periods preceding the adjustment, or for any adjustments that amount to \$50 or less. The debtor must be provided with a written notice of the nature and the amount of the adjustment, as well as a point of contact for questions regarding the adjustment, by the payday for the pay period in which the adjustment is processed, or as soon thereafter as practical. Notice of the routine adjustment is typically provided on the debtor's leave and earnings statement.

3.7 Debt Notification Letter

3.7.1 General Requirements for Debt Notification Letter. The FCCS requires the issuance of one debt notification letter to the debtor. This letter must include the due process notification requirements listed in the Fiscal Service's, “Managing Federal Receivables,” Appendix 8. The

requirements for the notice of indebtedness can be found in 5 U.S.C. § 5514, 5 CFR 550.1104(b) and (d), 31 CFR 901.2, and 31 CFR 285.7(d)(4).

3.7.2 When to Issue a Debt Notification Letter

3.7.3. DCOs must issue the initial debt notification letter to the debtor within 5 working days after final confirmation of the existence and validity of the debt, the basis of indebtedness, and the amount of the debt. Only one due-process debt notification must be issued. DCOs may issue additional demand-for-payment letters at 30-day intervals after the initial debt notification letter when the DCO deems it appropriate.

3.7.4. DCOs must ensure the debt notification letter is dated the same day it is mailed, via the U.S. Postal Service (USPS), to the debtor's last known address, or hand-delivered to the debtor. The DCO must retain a copy of the debt notification letter in the debtor's file. Salary or administrative offset may begin only after due process has been provided. A DCO may issue a written demand for payment before the more formal due-process debt notification letter; a demand for payment is an abbreviated written request for voluntary repayment and is not sufficient notice of due process. A demand for voluntary repayment may be issued electronically, while the formal debt notification must be delivered by USPS.

3.7.5 Sample debt notification letters are available at Exhibit 2-1 (DFAS Civilian Pay DCO) and Exhibit 2-2 (Military Pay DCO). DCOs outside DFAS may modify the sample letter as needed; however, all debt notification letters must contain the following information.

3.7.6. The debt notification must include an explanation of the amount and reason for the indebtedness, the authority for establishing the debt, and the basis on which the determination of indebtedness was made.

3.7.7. Request for Lump-Sum Payment. A request for a lump-sum payment is a request that the debt be repaid in a lump sum by check, money order, or electronic funds transfer.

3.7.8. The payment due date is the date by which payment must be made to avoid incurring interest, penalties, administrative (IPA) fees, and enforced collection. The due date must not be more than 30 days from the date of the initial debt notification letter, unless otherwise mandated by statute, contract provision, or another notice of indebtedness. A due date more than 30 days out may also be allowed based on unusual circumstances as determined by the agency (for example, medical-related debts where insurance is billed first).

3.7.9. The debt notification must include a statement that, if the debtor wishes to dispute the existence or amount of the debt (or contest the repayment schedule for collection by salary offset), the debtor may do so by submitting a written request for review or hearing petition. See Section 4 to determine whether the debtor is eligible for a hearing or review. The notification must

advise the debtor of the method and period for filing the request, typically 30 days from the date of the debt notification letter. It must also state that timely filing of a request for review or hearing petition stays the beginning of collection proceedings and that interest and penalty charges will not be collected until and unless a determination is issued in favor of collection. This process does not apply to contractor debts; for the contractor debt dispute process, refer to Section 5.

3.7.10. The debt notification must advise the debtor that, if a review or hearing is granted, the debtor has the right to a written decision from the reviewer or hearing official within 60 days after filing the request for review or hearing petition. For a hearing, the hearing official may grant a request to delay the proceedings.

3.7.11. The debt notification must advise the debtor of the right to inspect and copy the DoW records relating to the debt.

3.7.12. The debt notification must advise the debtor of the opportunity to set up a voluntary repayment schedule through an installment payment plan if the debtor claims, and can support, an inability to repay the debt in a single lump sum.

3.7.13. If applicable for individual debtors, the debt notification must include a statement on the right to request a waiver or remission of the indebtedness per the applicable statutory authority for waiving or remitting a debt. Detailed waiver application instructions may be provided to the debtor online.

3.7.14. The debt notification must include a statement that, if the DCO cannot collect a debt, other collection methods may be used, such as referral to a private collection agency, reporting to a credit bureau, garnishment of non-Federal wages, or referral to DOJ for litigation. The notice must inform the debtor that debts delinquent more than 120 days must be transferred to Treasury for collection, and in some cases sooner. Components that follow the Enterprise Delinquent Debt Management Guidance must refer delinquent debts older than 90 days to the Fiscal Services Debt Management Services for further collection action where appropriate.

3.7.15. The debt notification must include a statement that any portion of a debt remaining at separation may be collected from the debtor's final pay and allowances.

3.7.16. The debt notification must contain a statement explaining the requirements under 31 CFR 901.9 to assess interest, penalties, and administrative charges, including:

3.7.16.1. An explanation that if the debt is not paid by the due date, then interest will be charged from the date of delinquency, or from the date specified in the repayment agreement, if applicable (refer to the Definitions Section for a definition of date of delinquency). Include a statement indicating that the interest rate will be calculated pursuant to 31 CFR 901.9;

3.7.16.2. An explanation that if the debt is not paid in full by the due date stated in the debt notification letter, then the DCO will assess administrative costs for the processing and handling of the delinquent debt; and

3.7.16.3. An explanation that if the debt is delinquent for more than 90 days, then the DCO will assess a penalty, not to exceed 6 percent per annum, on the unpaid portion of the debt accruing from the date of delinquency.

3.7.17. The debt notification must include a statement identifying the name, mailing address, email address, fax number, and telephone number of a point of contact the debtor may contact about the debt.

3.7.18. The debt notification must provide the address where payment is mailed or delivered (including Pay.Gov or EFT instructions, where applicable) and state that the check, money order, or wire transfer must be made payable to Treasury.

3.7.19. The debt notification must state the consequences of knowingly providing false or frivolous statements, representations, or evidence, which include:

3.7.19.1. Disciplinary procedures for Federal employees under 5 U.S.C. Chapter 75, 5 CFR 752, or any other applicable statutes or regulations;

3.7.19.2. Penalties under the False Claims Act (31 U.S.C. §§ 3729-3733) or any other applicable statutory authority; or

3.7.19.3. Criminal penalties under 18 U.S.C. §§ 286-287, and 18 U.S.C. §§ 1001-1002, or any other applicable statutory authority.

3.7.20. The debt notification must include a statement that the debtor is responsible for notifying the DCO if the debtor files or has filed for bankruptcy.

3.7.21. The debt notification must include a statement that amounts paid or deducted for the debt that are later waived or found not owed to the Government will be refunded promptly to the debtor, unless prohibited by law.

3.7.22. Tax Filing. Provide notice that for joint income tax filers, the spouse should file Internal Revenue Service (IRS) Form 8379, Injured Spouse Allocation, with the IRS to claim his or her share of the tax refund.

3.7.23. Where applicable, the debt notification must state the DCO's intent to collect a Federal employee's debt by payroll deduction (salary offset) if payment is not received within 30 days, and must identify the amount, frequency, proposed beginning date, and duration of the deductions.

3.8 When a debtor has previously been provided due process for a debt, the DCO need not duplicate due-process requirements before initiating administrative offset for the same debt, except as provided under 31 U.S.C. § 3716(e). DCOs must implement salary or administrative offset as funds become due and payable to a debtor.

3.9 Responding to Debtor Inquires

The DCO should respond promptly to debtor questions, normally not later than 30 days after receiving the debtor's correspondence. The DCO must provide copies of relevant documents the debtor requests.

3.10 Voluntary Repayment of Indebtedness

3.10.1 Lump-sum repayment in full is the preferred collection method. DCOs must encourage debtors to repay by lump-sum payment through EFT (for military personnel and contractors), personal check, money order, or Pay.Gov. Lump-sum collection by offset from current pay or salary cannot exceed the percentages in subparagraph 9.2.3 or any other applicable regulation, unless the debtor voluntarily agrees.

3.11 Voluntary Repayment by Installment

3.11.1. If the Component determines the debtor is financially unable to pay a debt in a lump sum, the DoW may accept voluntary repayment in regular installments rather than proceed with involuntary salary or administrative offset. Installment agreements must be in writing as specified in paragraph 8.2. DCOs must include a copy of a voluntary repayment agreement in the debt notification issued to the debtor. Refer to Exhibit 2-1 and Exhibit 2-2 for a sample agreement.

3.11.2. The size and frequency of installment payments should bear a reasonable relation to the size of the debt and the debtor's ability to pay. Installment payments should be at least \$50 per month unless the debtor proves financial hardship. Payments should be sufficient to liquidate the debt in 3 years or less, though more time may be appropriate based on the size of the debt and the debtor's ability to repay. An installment plan is typically appropriate only if the total debt is at least 5 percent of the individual's annual disposable pay. Unless the debtor voluntarily agrees, installment payments from current pay or salary must not exceed the offset percentages in subparagraph 9.2.3.

3.11.3. Applying Receivables. When a receivable is collected by installment payment, apply amounts received first to contingency fees, second to outstanding penalties, third to administrative costs, fourth to interest, and last to principal. Contingency fees are defined as administrative costs resulting from fees paid by one Federal agency to other Federal agencies or private collection contractors for collection services rendered when the fees are paid from the amounts collected from the debtor.

3.12 Considering and Processing Installment Agreements

3.13 Installment Payment Agreement Terms

3.13.1. Individual Debtors. If the DCO determines a proposed repayment agreement from an individual debtor is unacceptable, the DCO must notify the debtor in writing. The debtor then has 30 days from the date of the written notice to request a special review by the DCO or file a petition for a hearing (or review for military members) to contest the repayment schedule under Section 4, sections 3.0 or 6.0.

3.13.2. Contractor/Vendor Debtors. The DMO must obtain consent from the creditor DoW Component's senior financial manager or designee before denying a contractor's request for an installment agreement. Refer to Section 5 for additional contract debt guidance.

3.14 Installment Payment Delinquency. If a debtor does not make an installment payment by the due date, the entire balance of the debt becomes delinquent from the due date of the missed payment. A debt being repaid under an installment plan is not delinquent if payments under the installment agreement are current. Interest will be assessed on a debt being paid by installment until the debt is paid in full. Penalties may be assessed on any portion of the debt that is outstanding for more than 90 days.

3.15 Involuntary Collection of Debt by Salary and Administrative Offset

3.15.1 General. When a debtor does not pay a debt voluntarily, agencies have the right to offset monies otherwise owed to a debtor in order to extinguish a debt. Where specific statutory authority exists for the collection of a particular debt by offset, the provisions of the statute and its implementing regulations must be used in determining the applicable collection procedures (for example, specific statutory authority exists under 5 U.S.C. § 5705, 5 U.S.C. § 5512, 10 U.S.C. § 2775, and 37 U.S.C. § 1007). However, when a more specific statute does not exist, DCOs must use the general collection authority under 5 U.S.C. § 5514 for salary offset from the current pay of individuals employed by the DoW, or 31 U.S.C. § 3716 (covered in paragraph 9.3) for administrative offset of other payments from the Government that are due a debtor. Refer to Section 3 for more specific instructions on involuntary collection of debt for Service members and civilians.

3.15.2 DCOs may initiate salary offset to collect indebtedness by installment deductions under 5 U.S.C. 5514 for debtors receiving pay from the DoW. This statute authorizes involuntary collection from the current pay or salary accounts of Service members, DoW civilian employees, and Nonappropriated Fund Instrumentality (NAFI) employees. Use 5 U.S.C. 5514 as the salary-offset authority when offset is not authorized or required by a more specific statute. If the debtor is not currently employed by the DoW and owes a DoW debt, the DCO must forward the debt to the DCMO for collection by administrative offset under paragraph 9.3. If the debtor is a separated

Service member and the debt is not subject to salary offset, the DCO must forward the debt to the DCMO for administrative offset under paragraph 9.3.

3.15.2.1. When a debtor has failed to pay the debt in one lump sum, has not agreed to a voluntary one-time payroll deduction, or has not entered an installment agreement, the DCO must recover the debt by involuntary salary offset. Before initiating involuntary salary offset, the DCO must ensure the debtor was given due process per section 4.0 and either did not exercise the rights listed in the debt notification letter or, having exercised one or more, was determined to be indebted.

3.15.3. The following debts are not authorized for collection by salary offset:

3.15.3.1. Collection of debts to private creditors, except as authorized by P.L. 103-94, Hatch Act Reform Amendments of 1993;

3.15.3.2. Contributions to charities;

3.15.3.3. Payment of commercial life insurance premiums, international agreements, or arrangements with foreign governments;

3.15.3.4. Payment of dues to civic, fraternal, or other organizations; or

3.15.3.5. Collection of state and local/city tax indebtedness.

3.15.4. Disposable pay is the current pay remaining after any legally required deductions from earnings are withheld (see 5 CFR 550.1103 for the definition). All involuntary salary offset under 5 U.S.C. 5514 is limited to a maximum of 15 percent of the debtor's disposable pay unless the debtor gives written consent to a greater percentage. Involuntary salary offset is normally established at this maximum rate. If salary offset mistakenly exceeds 15 percent of disposable pay when the debtor has not consented to a greater percentage, the DCO must refund the difference upon the debtor's request. DCOs should refer to 5 CFR 550.1103 for instructions on computing the disposable pay available for salary offset.

3.15.5. Debtor Disagrees With Amount to be Withheld. If the debtor contends that the rate of salary offset proposed, or already established by the DCO, would produce an extreme financial hardship, then in accordance with 5 U.S.C. § 5514, the debtor may:

3.15.5.1. Petition for a hearing with a hearing official to contest the amount of the salary offset (civilian debtors) within the timeframe noted on the debt notification. Military members whose debts are collected under 37 U.S.C. § 1007 may request a review of the repayment schedule by the DCO within the noted timeframe. Refer to Section 4 for guidance on hearing or review requests; or

3.15.5.2. Request a special review by the DCO of a proposed or established salary offset amount. The request must be based on the debtor's materially changed circumstances, such as catastrophic illness, divorce, death, or disability.

3.16 Collection by Administrative Offset Under 31 U.S.C. § 3716

3.16.1. Administrative offset under 31 U.S.C. § 3716 allows the Government to withhold or intercept funds from monies payable by the United States to a person, organization, or entity in order to satisfy a debt owed to the Government. Administrative offsets may occur against tax refund payments, salary payments, military and civilian retirement pay, contractor payments, grant payments, benefit payments, travel reimbursement, and other Federal payments.

3.16.2. Exclusions. Administrative offset under 31 U.S.C. § 3716 does not apply to:

3.16.2.1. Offset against Federal salaries if the FCCS are inconsistent with regulations implementing salary offsets under 37 U.S.C. § 1007 or 5 U.S.C. § 5514;

3.16.2.2. Offset under 31 U.S.C. § 3728 against a judgment obtained by a debtor against the United States;

3.16.2.3. Offset or recoupment under common law, state law, or Federal statutes specifically prohibiting offset or recoupment of particular types of debts; or

3.16.2.4. Offset in the course of judicial proceedings, including bankruptcy.

3.17 Collection Under Common Law. Debts not subject to administrative offset under 31 U.S.C. § 3716 may still be collected by offset under the common law or another applicable statute.

3.17.1. If a DCO cannot collect a debt through salary offset under 5 U.S.C. 5514 (or another statute authorizing offset from pay) and the debtor has not paid in lump sum or by installment agreement, the DCO should refer the debt to the DCMO for administrative offset under 31 U.S.C. 3716. The DCMO offers debt management and collection assistance to DoW Components for delinquent debts owed to the DoW.

3.17.1.1. Due Process Requirements Prior to Administrative Offset Under 31 U.S.C. § 3716. Before initiating administrative offset under 31 U.S.C. 3716, a debtor must receive due process (notice of the debt and an opportunity for review). The DCO must complete all due process requirements under sections 4.0 and 5.0 before sending the debt to the DCMO for collection. If the debtor requested a hearing or review, the DCO must follow Section 4 before transferring the debt to the DCMO.

3.18 Additional Statutory Authority for Offset

3.18.1. Under 5 U.S.C. 5705, a Federal employee entitled to per diem or mileage allowances may receive a travel advance, and any amount not used for allowable expenses must be collected back. DCOs must inform debtors of the requirement for immediate repayment of unearned per diem and mileage advances at the time advances are made.

3.18.2. When collecting unused advanced per diem or mileage allowances, DCOs must give DoW debtors the opportunity to pay the amount due in a lump sum. If the debtor does not pay in a lump sum, salary or administrative offset must be made immediately against accrued pay, retired pay, travel reimbursement, or any other amount due the debtor from the United States. Hearings are not required before salary offset under 5 U.S.C. 5705, but DCOs must give the debtor a notice of the debt and must informally reconsider or review the debt on the debtor's request. If no amount is available for salary offset and the debt must be collected by administrative offset, the DCO must follow the requirements for administrative offset under 31 U.S.C. 3716.

3.18.3. Offset From a Service Member's Pay for Damage to Military Housing Under 10 U.S.C. § 2775. Under 10 U.S.C. 2775, a debt may be collected from a Service member's pay for the cost of repair, replacement, or cleaning of military housing necessitated by abuse or neglect by the member. Debtors are not entitled to a hearing for debts collected by administrative offset under this statute, but DCOs must give the debtor a notice of the debt and must reconsider or review these debts on the debtor's request. If no amount is available for salary offset and the debt must be collected by administrative offset, the DCO must follow the requirements for administrative offset under 31 U.S.C. 3716.

3.18.4. Offset from a Member's Pay for Administratively Determined Debts Under 37 U.S.C. § 1007. Under 37 U.S.C. 1007, a debt administratively determined to be owed to a DoW Component by a Service member may be collected by offset from the member's pay.

3.18.5. Administrative Offset to Recover Public Funds Under 5 U.S.C. § 5512. Under 5 U.S.C. 5512, administrative offset is authorized against the pay of an accountable official in arrears to the DoW for all sums for which the official is liable, when the debt results from being held liable for a loss of funds. DCOs must withhold the pay of individuals in arrears to the DoW until the debtor has paid all sums for which the debtor is liable.

3.19 Cooperation With Other Government Agencies

3.19.1. If a non-DoW Federal agency determines a debtor works for a DoW agency, then the non-DoW agency may submit a request directly to the DoW for administrative offset from the debtor's pay. The non-DoW Federal agency is responsible for determining the validity and amount of the debt. The DoW is not authorized to determine the merits of the debt for which administrative offset is requested. Refer to Volume 8, Section 8 for additional guidance regarding these debts.

3.20 Reporting Debt to Credit Bureaus

3.20.1 Authority to Report Debts. The DCMO (or other DCO as appropriate) must implement procedures for reporting delinquent debts to credit bureaus and other automated databases per the Treasury "Guide to Federal Credit Bureau Reporting." Reporting of any non-delinquent debt must comply with the Bankruptcy Code and the Privacy Act of 1974 (5 U.S.C. 552a). Per 10 U.S.C. 2780(b), debts incurred by Service members must not be reported to credit bureaus while a decision on waiver or remission/cancellation of the debt is pending, unless the Secretary concerned determines that disclosure pending the decision is in the best interest of the United States. Refer to the PGI for information on reporting delinquent debts to credit bureaus.

3.20.2 Maintenance of Debt Records. DCOs must retain records for debts reported to credit bureaus in accordance with guidelines of the National Archives and Records Administration General Records Schedule. Bankruptcy information can be reported for 10 years. The credit bureau will only maintain accurate, negative information on a credit report if it is less than 7 years old.

3.21 Referral to The Treasury

3.21.1. Treasury has broad collection responsibilities for delinquent debts. Unless otherwise authorized by law, pursuant to Treasury Financial Manual (TFM), Volume 1, Part 3, Chapter 5000, Federal agencies are required to refer eligible and legally enforceable debts more than 180 days delinquent to the Treasury Cross-Servicing Program for debt servicing. Agencies are also required to refer any debts more than 120 days delinquent to TOP for recovery by centralized administrative offset. Refer to 31 U.S.C. § 3711(g), 31 U.S.C. § 3716, and the PGI for information on referring debts to TOP.

3.21.2. Components that have implemented the DDMG processes must refer delinquent debt older than 90 days and greater than \$25 to the DMS for further collection action where applicable. At the DoW Component's discretion, debts may be referred sooner to protect the DoW's interests.

3.21.3. In most instances, DCOs refer uncollectible debts to the DFAS DCMO for debt servicing first, and the DCMO refers the debts to Treasury for cross-servicing and to TOP. Only those DCOs with specific authority may refer delinquent debts directly to Treasury. Before making a referral directly to Treasury, a DCO must consider the DFAS DCMO debt program and procedures in Section 3 to determine whether referring the debt to DFAS first would offer more cost-effective service, debt management control, and reporting.

3.21.4. DoW Components that do not refer debts to one of the DCOs authorized to make referrals to Treasury must negotiate an agreement with Treasury for debt referrals.

3.22 Cross-Servicing

3.22.1. The DCO must complete all due process procedures before referring a debt to Treasury for cross-servicing. At least 60 days before a debt is referred to Treasury, the DCO must issue the debtor a debt notification that meets the requirements of paragraph 5.5.

3.22.2. Pursuant to Treasury's "Managing Federal Receivables," a debt is not eligible for referral to Treasury for cross-servicing if the debt:

3.22.2.1. Is not past due or legally enforceable;

3.22.2.2. Is owed by a debtor who has died;

3.22.2.3. Is owed by a debtor who has filed for bankruptcy protection or the debt has been discharged in a bankruptcy proceeding;

3.22.2.4. Is owed by a Federal agency;

3.22.2.5. Is the subject of an administrative appeal, until the appeal is concluded and the amount of the debt is fixed; or

3.22.2.6. Is less than \$25 (including IPA costs).

3.22.3. A debt may be referred for cross-servicing, but is not required to be referred, if the debt:

3.22.3.1. Is in litigation, meaning the debt has either been referred to DOJ for litigation or is the subject of proceedings pending in a court of competent jurisdiction, including bankruptcy and post-judgment matters;

3.22.3.2. Is in foreclosure, which means the debt is secured by collateral that is being foreclosed, either through a court proceeding or non-judicially;

3.22.3.3. Will be disposed of under an approved asset sale program within 1 year after becoming eligible for sale, or later than 1 year if consistent with an asset sales program;

3.22.3.4. Has been referred to a private collection contractor for a period acceptable to Treasury;

3.22.3.5. Is at a Treasury-designated debt collection center for a period acceptable to Treasury;

3.22.3.6. Will be collected under internal offset procedures within 3 years after the debt first became delinquent;

3.22.3.6. Is exempt from this requirement based on a determination by Treasury that exemption for a certain class of debt is in the best interest of the United States (the DoW may request that Treasury exempt specific classes of debts);

3.22.3.7. Is owed by foreign governments or a NAFI;

3.22.3.8. Is less than \$100 and belongs to a debtor without a known TIN; or

3.22.3.9. Is otherwise exempt from the statutory referral requirement by law or official action of Treasury.

3.23 Referral to PCA

3.23.1 Authority to Use PCA. The DCMO is the designated DoW entity that may refer debts to PCAs.

3.23.2 Contracts for PCA Services. To minimize collection costs and avoid duplication, the agency should refer debts to Treasury for cross-servicing to obtain a PCA's services. Under 31 U.S.C. 3711 and the FCCS, an agency may refer a debt directly to a PCA by contract instead of through Treasury; to avoid double submission when a debt is also transferred to Treasury, the agency must make Treasury aware of the direct referral. Agency contracts with PCAs to locate delinquent debtors and recover delinquent debts must define the services and must conform to the following terms.

3.23.3. The DCO retains the final authority to resolve disputes, compromise debts, suspend or terminate collection activity, refer debts to credit bureaus, and refer debts to DOJ for litigation. If the debt was referred to the PCA as part of Treasury's Cross-Servicing Program, then Treasury retains authority to compromise debts.

3.23.4. The PCA must not offer the debtor, as an incentive for repayment, the opportunity to pay the debt minus the PCA's fee, unless the DoW authorizes it in advance.

3.23.5 Debts referred to PCAs are not subject to the requirement to transfer debts to Treasury.

3.24 Referrals to the DOJ for Litigation

3.24.1. Unless an agency has specific statutory authority to litigate its own debts, an agency must refer debts to DOJ for litigation. Debts based on conduct in violation of antitrust laws or involving fraud, or the presentation of a false claim or misrepresentation on the part of the debtor, or any party having an interest in the claim, must be referred to DOJ for action. Before referring a debt to DOJ, the DCO should consult with its Office of General Counsel for guidance. Also, prior to referring a debt to DOJ, a DCO must take aggressive collection action in accordance

with this section for legally enforceable debts and ensure the debt cannot be compromised, suspended, or terminated. Refer to the PGI for additional guidance on referring debts to DOJ.

3.24.2. The Defense Security Cooperation Agency (DSCA) determines whether to forward a Foreign Military Sales (FMS) arrearage to DOJ for litigation. For guidance on referring FMS arrearage, refer to Section 6.

3.25 Debt Compromise, Suspension, and Termination

3.25.1. Under 31 U.S.C. 3711 and the FCCS, an agency keeps the authority to compromise, suspend, or terminate collection action. The DCO, DCMO, DMO, fund holder, or other entity involved in debt collection may prepare a request for compromise, suspension, or termination and submit it to the appropriate authority for approval. The approving authority may be DFAS, the DoW Component, DOJ, or Treasury depending on the debt amount. The referring office submitting the request must keep supporting documentation, and may take no further action on debts referred for approval. Refer to the DFAS Procedures Manual for additional information on processes and determining when to compromise, suspend, or terminate collection action.

3.25.2 Compromise

3.25.2.1. General. Compromise is the acceptance of less than the full amount of the debt in satisfaction of the entire amount of the debt. The debtor is released from liability on the full amount of the debt if the compromise amount is paid in full. The debtor (or debtor's representative) should submit offers of compromise to the agency in writing and should include all additional information requested by the approval authority. Refer to the DFAS Procedures Guide for information on approval authorities.

3.25.3 Suspension of Collection Action

3.25.3.1. General. Pursuant to 31 CFR 903, suspension of collection action is a determination by the agency to temporarily cease collection action. Refer to the DFAS Procedures Guide for information on approval authorities and 31 CFR 903.2 for a list of circumstances under which suspension may be considered.

3.25.3.2. Per 37 U.S.C. 1007(c)(4), if a Service member, through no fault of their own, incurs a wound, injury, or illness in the line of duty in a Presidentially or SecDef-designated combat operation or combat zone and is overpaid pay or allowances while recovering, the DCO must not collect the overpayment from the member's pay until the criteria in Section 3, subparagraph 3.5.3 are met.

3.25.3.3. Per 37 U.S.C. 1007(c)(3)(B), Service members subject to deductions from pay under that section may request a delay in the start of repayment. Before beginning salary offset, the DCO must consider the member's stated reasons, including the member's financial

ability to repay and the hardship that immediate collection would impose on the member and dependents.

3.26 Termination of Collection Action

3.26.1. Termination of collection action is a determination to cease active collection because such action is not economically worthwhile or is otherwise inappropriate. Before terminating collection, the agency should have pursued all appropriate means of collection and determined the debt is uncollectible.

3.26.2. Termination ceases active collection, but an agency may still pursue passive collection action (for example, when the debt remains secured by a judgment lien or lien interest, or is being collected through TOP). Termination results in the removal of the debt from the active collection files. Termination does not preclude the agency from retaining a record of the account. Refer to the DFAS Procedures Guide for approval authorities. Refer to 31 CFR 903.3 for circumstances under which termination may be considered. Refer to Volume 4, Section 3 for guidance on writing off debts upon termination of active collection.

3.27 Debts Involving Violation of Antitrust Laws or Fraud. The compromise, suspension, and termination policy in this section does not apply to a debt based in whole or in part on conduct violating the antitrust laws, or to a debt involving fraud, a false claim, or misrepresentation by the debtor or any interested party. Only DOJ may compromise, suspend, or terminate collection on such debts. On identifying a debt meeting these criteria, the DCO must promptly refer it to DOJ for action. DOJ may return the debt to the DCO for further handling.

3.28 Debtors Involved in Bankruptcy Proceedings

Debtors Involved in Bankruptcy Proceedings. If the DCO learns that a bankruptcy petition has been filed by a debtor, the DCO must take immediate action to ensure prompt termination of debt collection or processing of bankruptcy orders.

4.0 COLLECTION OF DEBTS OWED BY INDIVIDUALS TO THE DOW

4.1 Collection of Debt From Current, Separating, Transferring, and Retired DOW Civilian Employees

4.1.1 Reasons for Overpayment of Civilian Pay and Allowances. Overpayments to employees may be the result of various payroll errors or adjustments. Examples include errors in computing federal withholding tax, Civil Service Retirement System (CSRS) or Federal Employees Retirement System (FERS) deductions, Social Security and/or Medicare deductions, improper rates of pay, errors in reporting time worked, or erroneously accrued and paid annual leave. The head of each PRO maintains overall responsibility for ensuring that an overpayment is recovered expeditiously or that another appropriate disposition of the debt is carried out, such as

waiver of the indebtedness. The head of each PRO is responsible for ensuring that employees are afforded all legal rights relative to the collection of indebtedness. Responsibilities may be delegated, in writing, to another appropriate official within the financial community.

4.1.2 Procedures for Debt Establishment. Generally, a debt is “established,” or comes into existence, when the government agency to which it is owed determines that there is a debt and identifies the exact amount of the debt. This initial determination by the agency triggers the debt collection process. PROs should refer to the PGI for information on how to establish a debt and prepare for collection.

4.1.3 Overview of Debt Collection from Current DoW Employees

4.1.3.1. After determining the amount owed to the United States by a current DoW employee and establishing a debt, the PRO must determine if collection may be made using a routine pay adjustment under paragraph 2.5. If the PRO cannot use a routine adjustment to collect a debt, then the PRO must contact the debtor by issuing a written debt notification that satisfies due process requirements. Refer to Section 2, sections 4.0 and 5.0 for guidance on debt notifications. Also refer to the PGI for additional information on debtor rights.

4.1.3.2. If the civilian employee does not respond to the debt notification by voluntarily repaying the debt or submitting a request for a review or waiver, then the DCO must initiate collection by salary offset under 5 U.S.C. § 5514, or under other specific statutory authority set out in Section 2, section 9.0. Refer to the PGI for case examples of routine adjustment, voluntary repayment, and salary offset.

4.1.4 Procedures for Routine Pay Adjustments

4.1.4.1. In accordance with 5 U.S.C. § 5514, DCOs are not required to provide due process procedures prior to collecting overpayments of pay and allowances using routine intra-agency pay adjustments. To collect by routine adjustment, the overpayment must have occurred within the four pay periods preceding the adjustment or amount to \$50 or less. Routine adjustments may be necessary due to overpayments attributable to clerical errors, administrative errors, delays in processing pay documents, corrected or late time and attendance data, underdeduction of premiums, or incorrect personnel actions. Refer to the PGI for information on notification and collection of routine pay adjustments.

4.2 Processing Debt Repayments

4.2.1. The DCO must record a cash collection (personal check, money order, or other negotiable instrument) on DD Form 1131, Cash Collection Voucher. The accounting data must include the appropriation or fund that funded the overpayment.

4.2.2. One-Time/Lump-Sum Deduction (Salary Offset). If an employee voluntarily requests to have the indebtedness deducted from pay, then the DCO must arrange for the employee to complete and sign a voluntary repayment agreement as shown in Section 2, Exhibit 2-1 indicating payment by lump-sum deduction. The DCO must retain the original signed agreement. If requested by the employee and agreed to by the DCO, then the DCO can defer remittance for up to two pay periods and change the agreement to reflect that adjustment. An employee may also combine a one-time deduction with a cash payment as a means of liquidating the indebtedness. If a one-time deduction does not fully liquidate the indebtedness, then the DCO must adjust the agreement accordingly.

4.2.2. Installment Deductions (Salary Offset). If an employee is unable to repay the debt in one lump-sum repayment, then installment payments may be acceptable. The employee should complete a voluntary repayment agreement indicating repayment by salary offset using installment payments. The DCO must retain the original signed agreement. Refer to Section 2 for additional guidance pertaining to requesting and approving installment payment plans.

4.2.3. When a debtor has either failed to pay the debt in one lump sum, has not agreed to a voluntary, one-time payroll deduction, or has not entered into an installment agreement, the DCO must recover the debt by involuntary salary offset.

4.2.3.1. Before initiating involuntary salary offset, the DCO must ensure the debtor was given due process pursuant to Section 2, section 4.0, and that the debtor has not exercised the rights listed in the debt notification letter or, having exercised one or more of those rights, was determined to be indebted. The DCO may initiate collection of a debt from final pay and lump-sum leave payments before granting due process if failure to do so would substantially prejudice DCO's ability to collect the debt. In such cases, the DCO must afford the debtor due process as soon as practicable. For additional guidance on salary offset, refer to the PGI.

4.3 Collection

4.3.1. Under 5 U.S.C. § 5514, when an employee separates by resignation, retirement, death, or termination of appointment, the employee's final pay (including lump-sum leave payments) will be applied to the extent necessary to liquidate a previously established debt. The 15 percent disposable pay limitation does not apply to the offset. To recover the debt, other payments due from any source (such as amounts claimed for travel and transportation) should be applied to the debt.

4.3.2. Due process is not necessary if debt collection is already in process when the employee separates and the employee was previously notified of the debt and given an opportunity for review. For deceased employees, any unpaid compensation due must be applied to liquidate the indebtedness with no limit on the maximum rate of collection. If a debt balance remains after collecting from the deceased employee's final pay, the DCO must forward the debt case to the Debt

and Claims Management Office (DCMO) for collection against the estate. The DCO must not pursue collection of the debt from any of the employee's beneficiaries named under 5 U.S.C. 5514.

4.3.3. Collection of a Newly Established Debt. When an employee separates by resignation, retirement, death, or termination of appointment, and a debt is newly established (not previously established and not already collected under 5 U.S.C. 5514), the DCO must collect it using administrative offset under 31 U.S.C. 3716. The DCO must apply all money payable to the employee with no limit on the maximum rate of collection. As soon as practicable, the DCO must give the debtor notice of the debt and an opportunity for review under Chapter 2 (31 CFR 901.3(b)(4)(iii)(C)).

4.3.4. Collection of a Debt from Severance Pay. Collection of a debt from an employee's severance pay issued under 5 U.S.C. § 5595 is permissible under 31 U.S.C. § 3716. If an employee has not previously received notification of the debt and an opportunity for review (due process) under Section 2, the DCO must grant notice of the debt to the debtor as soon as practicable. Refer to 31 CFR 901.3(b)(4)(iii)(C) for additional guidance. There is no limit on the maximum rate of collection, and all money due and payable to the employee is subject to offset.

4.4 Collection of Indebtedness from Transferring DoW Employees

4.4.1. All actions continue when the employee separates. Hearings on the amount of involuntary offset must terminate at separation, but hearings on the validity or amount of a debt must continue and a written determination must be issued. If later events nullify the indebtedness, the DCO must refund amounts withheld from both current and final pay. Refunds must be made without requiring a claim from the former employee.

4.4.2. Per 5 CFR Part 550, Subpart K, the losing PRO must ensure the gaining PRO is aware of specific information, which is found in the PGI.

4.4.3. Transfer to Another Federal Agency. When an employee transfers to another federal agency outside of DoW, the PRO/DCO should forward the debt case to the DCMO pursuant to the instructions in section 5.0 and the PGI.

4.5 Collection

4.5.1. General. If an employee is still indebted to DoW at retirement, and the amount withheld from final salary and lump-sum payments under paragraph 2.8 is inadequate to satisfy the debt, the DCO may take the following actions.

4.5.2. Refer the debt to DCMO. In most cases, after providing the employee the due-process rights in Section 2, the PRO must submit the debt to the DCMO for collection action that may offset retirement funds via referral to the U.S. Department of the Treasury (Treasury) Offset Program.

4.5.3. Refer the debt to OPM. The PRO may request that OPM offset the debt against money due the separated employee from CSRS or FERS basic benefits. The request is a debt claim the DCO submits to OPM for recovery of the debt by OPM. This practice does not apply to Nonappropriated Fund Instrumentality employees. For collection of debts from retirement funds, refer to 5 CFR Part 831, Subpart R (CSRS retirees) and 5 CFR Part 845, Subpart A (FERS retirees).

4.5.4. Notice to the Employee. Before sending a debt claim to OPM, the DCO must notify the employee in writing that a debt claim is being sent to OPM to offset the employee's CSRS or FERS basic benefits. The letter must state the debt amount at separation, the amount recouped from final pay and other sources, and the balance due. The letter must inform the employee that full payment of the balance due stops the debt from transferring to OPM. This notice is in addition to any previous due-process notice.

4.5.5. Due Process. The DCO must provide due process to the debtor before submitting the debt to OPM for collection, unless the DCO submits an incomplete debt claim.

4.6 Collection of Indebtedness from Former DoW Civilian Employees. PROs and DCOs must refer debts of former personnel who are no longer DoW civilian employees (out-of-service debtors) to the DCMO. See section 6.0 for Components using Treasury's Centralized Receivables Service (CRS), as authorized by an appropriate DoW authority.

4.6.1 Collection. Per 5 CFR 550.1109, DoW Component organizations outside the PRO (such as employing agencies) may request the PRO recover debts from current component employees by salary offset. Such debts originate outside the PRO and are not overpayments of pay or allowances. The PRO will generally not review the merit of a debt originating outside the PRO. For information on requesting involuntary salary offset for various types of debts, refer to the PGI.

4.6.2. Collections of Unused Travel Advances (Unearned Advance Per Diem and Mileage Allowance) and Unearned Temporary Quarters Subsistence Expense. In addition to 5 U.S.C. § 5514, additional statutes authorize salary offset. The PRO should follow any specific requirements under these statutes for offset. When a statute does not provide other procedures, prior to any involuntary offset, debtors should be provided with notice of the debt and an opportunity for review. See 64 Comptroller General (Comp. Gen.) 142 (1984). For additional guidance on the collection of these travel-related debts, refer to the PGI.

4.6.3. Excess Costs Due to Shipment of Personal Property. A debt for excess cost is created when an employee's shipment of personal property exceeds the authorized weight allowance. A DD 2481 must be issued to the employee's PRO to request collection under 5 U.S.C. § 5724(a)(2). The collection of the excess costs from an employee's pay is considered a voluntary salary offset since the employee agreed to repay the excess costs when he or she signed DD 1299, Application for Shipment and/or Storage of Personal Property, before the actual shipment of the property. Refer to the PGI for information on the reconsideration of transportation-related debts.

4.6.4. When an employee fails to fulfill a training agreement, and he or she does not voluntarily repay the employing activity, collection of training expenses from the employee's pay account is authorized under 5 U.S.C. § 4108. In accordance with 5 CFR 410.309, the employing activity must give the employee the opportunity to request a reconsideration of the amount to be recovered or to request a waiver of the activity's right to recover. Refer to the PGI for information on the initiating collection via salary offset.

4.6.5. The negotiation of an original Treasury check that was replaced by a recertified check is an illegal and improper payment for purposes of pecuniary liability. The disbursing officer who issues a duplicate payment is responsible for collection of the duplicate payment from the payee. Refer to the PGI for procedures associated with repayment.

4.6.6. Collection of Dishonored Personal Checks. Collect for dishonored personal checks in accordance with Volume 5, Section 4.

4.7 Collection of Debt From Active and Reserve Members

4.7.1. General. This section pertains to the collection of debt owed to DoW by active and reserve military members, hereafter referred to as members. Debt collection authority for members exists both under the common law and various statutes. Much of this section discusses the authority for collection under 37 U.S.C. § 1007 and 5 U.S.C. § 5514; however, there are other debt collection authorities listed in Tables 3-1 through 3-6.

4.7.2 Due Process Requirements. The head of the military pay office (typically the DCO) must ensure members receive all legal rights for collection of a debt from overpayment of pay and allowances. Unless a statute directs otherwise, members are entitled to due process, consisting of a notice and an opportunity for review, before debt collection begins. Refer to Section 2 for due-process requirements and to Section 4, section 6.0 for member review opportunities.

4.8 Collection From Member's Pay

4.8.1. General. General statutory authority for collection by salary offset from a member's pay exists under both 37 U.S.C. 1007(c) and 5 U.S.C. 5514. Debts established by DoW agencies are collected under 37 U.S.C. 1007, and debts a non-DoW agency has administratively determined to be owed the United States are collected under 5 U.S.C. 5514. Routine adjustments are authorized under 5 U.S.C. 5514. Other statutory authority may authorize collection of specific classes of debts (Comp. Gen. B-230865 (1990); United States v. Tafoya, 803 F.2d 140 (1986)).

4.8.2. Voluntary Repayment Encouraged. Members indebted to the United States should be encouraged to discharge the debt through lump-sum cash payments. When a lump-sum payment would create a financial hardship given the member's ability to repay, installment payments may be accepted. Members are encouraged to voluntarily accept liability and to agree

to a repayment schedule that adequately protects both the United States and the member. A member may authorize or request collection in amounts greater than could be collected involuntarily.

4.8.3. Current pay is available to repay a debt by involuntary offset (without the member's consent) only if such recovery is expressly authorized by statute. Refer to Tables 3-1 through 3-5 for guidance and statutory authority on involuntary collection from the member's pay.

4.8.4. Final Pay. When a member receives final pay on separation, indebtedness to the United States may be collected under the common-law rule of offset, subject to the limitations in subparagraphs 3.3.3.2.1 through 3.3.3.2.3 and Table 3-6. Even debts collectible from current pay only with the member's consent may be collected from final pay and allowances without consent. Amounts owed to a Service relief society (Army Emergency Relief, the Navy-Marine Corps Relief Society, the Air Force Aid Society, or Coast Guard Mutual Assistance) may also be collected from final pay without consent per 37 U.S.C. 1007(c) and (h). Except as specified in Table 3-6, amounts are generally collectible as follows:

4.8.5. Officers of any Service. No limitation applies to the amount that may be deducted from an officer of any Service from his or her final separation pay.

4.8.6. Army and Air Force Enlisted Members. An amount due from an enlisted member of the Army or Air Force may be deducted from final separation pay. Per 37 U.S.C. 1007(d), the appropriate rate of collection in subparagraph 3.5.2 applies to collection from the member's final separation payment.

4.8.7. Navy and Marine Corps Enlisted Members. No limitation applies to the amount that may be deducted from an enlisted member of the Navy or Marine Corps from his or her final separation pay.

4.9 Collections by Salary Offset Under 37 U.S.C. § 1007(c). Section 1007(c) of Title 37 authorizes deducting from a member's current pay an amount that the Secretary of the Military Department concerned administratively determines is owed to the United States, or any of its instrumentalities, due to overpayment of pay and allowances. Debts collected under 37 U.S.C. 1007 are subject to due-process requirements. Two-thirds of the member's disposable pay is the maximum that may be deducted from monthly pay, except as provided in subparagraph 3.5.2 or 3.3.3 for final separation. Collection at two-thirds is not the default rate; it applies only where the overpayment is the fault of the member (see subparagraph 3.5.2.1). Where a member of one Military Service owes a debt to another and the creditor Service makes an administrative determination of indebtedness, the creditor Service may forward that determination, with certification of compliance with this section, to the military pay office servicing the member for collection. Refer to Section 2, subparagraph 14.5.5 for delaying the start of the repayment requirement.

4.9.1. Due Process Requirements Under 37 U.S.C. § 1007. Debt collection officers must use the procedures in Section 2 for debts that require due process. The field office must initiate due process after receiving a management notice from the pay system, and any subsequent collection must be based on an appropriate repayment schedule.

4.9.2. Collection When Member is at Fault. When the military pay office determines that an overpayment of pay or allowances is the fault of the member, the office may recover the debt in monthly installments of up to two-thirds of the member's disposable monthly pay. The member may consent to a greater percentage. Note: two-thirds is not the default rate; it applies only where the overpayment is the fault of the member. In most cases the rate in subparagraph 3.5.2.2 applies.

4.9.3. Collection When Member is Not at Fault. When the military pay office determines that an overpayment of pay or allowances is not the fault of the member, the office is authorized to recover the debt in monthly installments.

4.9.3.1. Overpayments Made On or Before October 28, 2009. If an overpayment was made to a member on or before October 28, 2009, the military pay office recovers it in monthly installments not exceeding 20 percent of the member's disposable pay each month. The office may deduct a greater percentage with the member's consent.

4.9.3.2. Overpayments Made After October 28, 2009. If an overpayment was made to a member on or after October 29, 2009, the military pay office recovers it in monthly installments not exceeding 15 percent of the member's disposable pay each month. The office may deduct a greater percentage with the member's consent.

4.9.3.3. Requests for Delayed Collection. For overpayments in this subparagraph made on or after October 29, 2009, the military pay office must give the member a reasonable opportunity to request a delay in the repayment requirement. Before beginning collection, the

office must consider the member's stated reasons, including the member's financial ability to repay and the hardship that immediate collection would impose on the member and the member's dependents.

4.9.3.4. If a member, through no fault of the member, incurs a wound, injury, or illness in the line of duty in a combat operation or combat zone designated by the President or the Secretary of Defense, any overpayment of pay or allowances made while the member recovers may not be deducted from the member's pay until:

4.9.3.4.1. The member is notified of the overpayment; and

4.9.3.4.2. The later of the following occurs:

4.9.3.4.2.1. The end of the 180-day period beginning on the date of the completion of the tour of duty of the member in the combat operation or combat zone, or

4.9.3.4.2.2. The end of the 90-day period beginning on the date of the reassignment of the member from a military treatment facility or another medical unit outside of the theater of operations.

4.9.3.5. After receiving notice of the overpayment, a member may request that collection begin earlier. The military pay office must determine the appropriate rate of collection per subparagraph 3.5.2.2 and follow the due-process requirements in Section 2.

4.10 Collection by Salary Offset Under 5 U.S.C. § 5514

4.10.1. Debt Determination. A federal agency, other than the DoW, may determine that a member is indebted to the United States and that collection action against the member's monthly pay under the authority of 5 U.S.C. § 5514 is warranted. The collection of a debt owed to departments and agencies other than DoW (including its instrumentalities or other uniformed services) resulting from a court judgment is included under this collection authority. The non-DoW agency must forward the request for offset through Treasury's Cross-Servicing Program.

4.10.2. Amount of Collections. The military pay office may make collections not exceeding 15 percent of disposable pay for any pay period, unless the member authorizes a greater percentage in writing. Unsatisfied debts at discharge or retirement will be deducted from subsequent payments due the member. For additional guidance on salary offset, refer to Section 2, paragraph 9.2.

4.10.3. Due Process. The creditor agency to which the debt is owed must provide due process to the member and must certify due process was completed if the debt is submitted to the Defense Finance and Accounting Service (DFAS) for collection. For due process procedures, refer to Section 2.

4.10.3.1. In accordance with 5 U.S.C. § 5514, DCOs are not required to provide due process procedures prior to collecting overpayments of pay and allowances using routine intra-agency pay adjustments. To collect by routine adjustment, the overpayment must have either occurred within the four pay periods preceding the adjustment, or amount to \$50 or less. Routine adjustments may be necessary due to an overpayment attributable to clerical errors, administrative errors, delays in processing pay documents, or underdeduction of premiums, for example. The DCO must provide the debtor with written notice of the nature and amount of the adjustment, as well as a point of contact for questions regarding the adjustment. This information should be provided by the payday for the pay period in which the adjustment is processed, or as soon thereafter as practical. An appropriate notice on the LES meets the requirements for notification.

4.10.3.2. The actual overpayment must have occurred after April 26, 1996.

4.10.3.4. The amount deducted may not exceed 15 percent of disposable pay unless the debtor consents in writing to a higher amount. The servicing military pay office must generate a 'no pay due' management notice when a debt creates a no-pay-due situation.

4.10.4. IPA Costs. Interest will be charged beginning from the date of delinquency. IPA will be assessed and calculated pursuant to Section 7, 31 U.S.C. § 3717, and 31 CFR 901.9.

4.11 Indebtedness Incurred in National Guard or Reserve. When a member re-enters active Military Service, the military pay office must collect from active pay and allowances any indebtedness the member incurred while in a National Guard or Reserve status.

4.12 Member Dies after Receiving Advance Salary Payment. Advance payday payments made per Volume 7A, Chapter 32 are not considered indebtedness if the member dies before the date through which the pay was computed and paid.

4.13 Centralized Processing

4.13.1. This section governs collecting in-service debts owed to the Army and Air Force Exchange Service, the Navy Exchange Command, and the Marine Corps Exchange Command (the Exchange Commands). It applies when active-duty, reserve, and retired military members are delinquent in repaying a dishonored check or their credit plan. Under 37 U.S.C. 1007(c), an amount that a member of the uniformed services is administratively determined to owe the United States may be deducted from the member's pay in monthly installments. For specific procedures related to collection of Exchange Command debts, refer to the PGI.

4.13.2. DFAS collects the amounts requested as long as the total monthly amount collected, including any other debt collected under 5 U.S.C. 5514, does not exceed two-thirds of the member's disposable pay. The military pay office must reduce monthly collection amounts if the pay due a member is insufficient to cover authorized deductions or collections. Debt collection

is subject to Table 3-5 and to the priority of pay deductions and collections in Volume 7A, Chapter 52.

4.13.3. Exchange Commands must certify that they provided the member due process per Section 2. Exchange Commands must maintain due-process documentation (debt notification letters and supporting documentation) on individual delinquent debt accounts.

4.13.4. When a member enrolls in a credit plan, the Exchange Command must advise the member of the maximum deduction for delinquent accounts under subparagraph 3.5.2. DFAS, or the field finance office, must ensure collections do not exceed two-thirds of the member's monthly disposable pay.

4.13.5. Exchange Commands must respond to all member inquiries about debts and deduction amounts.

4.13.6. Exchange Commands may not deduct any amount from a member's pay account to cover a dishonored check written by a dependent without the member's consent.

4.13.7. Exchange Commands must use a listing of basic pay rates, plus income data received from the member, to determine an amount that is equal to or less than two-thirds of the member's pay.

4.13.8. If a member separates from active duty, or if retired pay is suspended, and the debt was not fully collected, the Exchange Command must collect any remaining debt. The military pay office must advise the Exchange Command that the member has separated or that the retiree's pay has been suspended.

4.13.9. Exchange Commands are responsible for overpaid debts. When a member overpays a debt, the Exchange Command must immediately refund the overpayment to the member.

4.13.10. Exchange Commands must honor a repayment agreement under which a member voluntarily agrees to repay the debt. If the member voluntarily repays the debt off-line, the Exchange Command must cancel the offset request and immediately notify DFAS.

4.13.11. For audit purposes, Exchange Commands must maintain and ensure the availability of all documentation pertaining to these debts.

4.13.12. If the deduction amount input by the Exchange Command exceeds two-thirds of the member's disposable pay (subparagraph 3.4.2), DFAS or the military pay office must change the deduction amount or return the debt to the Exchange Command for adjustment. After the deduction is processed, DFAS must notify the Exchange Command of any adjustments.

4.13.13. The Exchange Command manages the entire debt amount internally and must notify the member of the debt balance and encourage the member to submit payments voluntarily. DFAS provides management notices (listing) to the servicing military pay office, where applicable, identifying the member's pay account to which the deduction is charged.

4.14 Collection of Debt from Military Retirees and SBP Annuitants

4.14.1 General. This section pertains to the collection of debt owed to DoW by military retirees, Retired Serviceman's Family Protection Plan (RSFPP) annuitants, or SBP annuitants due to the overpayment of annuity payments. A debt may be the result of an overpayment to the military retiree, or an amount owed to the Government but unpaid by a military retiree. A debt may be for an overpayment of military retired pay, Concurrent Retirement and Disability Pay, Combat Related Special Compensation (CRSC), an overpayment of active duty pay and allowances, or other indebtedness arising from service on active duty.

4.14.2 Due Process Requirements. The head of the military retiree pay office, DFAS - Retired and Annuitant Pay, must ensure that military retirees receive all legal rights relative to indebtedness arising from overpayments of pay and allowances, including due process under Section 2. This includes giving the military retiree the opportunity to request a delay in collection of the debt under 37 U.S.C. 1007(c)(3)(B).

4.14.3 Routine Pay Adjustments Under 5 U.S.C. § 5514

4.14.3.1. In accordance with 5 U.S.C. § 5514, DCOs are not required to provide due process procedures prior to collecting overpayments of pay and allowances using routine intra-agency pay adjustments. To collect by routine adjustment, the overpayment must have occurred within the four pay periods preceding the adjustment or amount to \$50 or less. Routine adjustments may be necessary due to an overpayment attributable to clerical errors, administrative errors, or delays in processing pay documents. Routine adjustments include retroactive U.S. Department of Veterans Affairs (VA) increases that may result in retirement benefit debts. Refer to the PGI for additional information on routine pay adjustments.

4.14.3.2. The actual overpayment must have occurred after April 26, 1996.

4.14.3.3. The amount deducted must not exceed 15 percent of disposable pay unless the debtor consents in writing to a higher amount. The servicing pay office must generate a 'no pay due' management notice when a debt creates a 'no pay due' situation.

4.15 Debt Collection

4.15.1. Authority for Involuntary Collection. A military retiree's pay is available for involuntary offset of indebtedness without the retiree's consent, provided the retiree is afforded due process under Section 2, as follows:

4.15.1.1. Debts to the DoW, or any of its instrumentalities or other uniformed services, will be deducted from pay under 37 U.S.C. § 1007(c);

4.15.1.2. Debts determined to be owed to another federal agency will be collected by salary offset under the authority of 5 U.S.C. § 5514;

4.15.1.3. Debts determined to be owed to another federal agency will be collected by administrative offset under the authority of 31 U.S.C. § 3716; and

4.15.1.4. Routine adjustments are authorized under 5 U.S.C. § 5514.

4.15.2. Limitation on Amount of Deductions. Debt collection amounts are subject to the limitations in the authorizing debt-collection statute. The maximum monthly amount collectible under 37 U.S.C. 1007(c) is subject to the limitations in subparagraph 3.5.2.

4.15.3. “No Pay Due” Notice. To prevent avoidable hardship to the military retiree, the pay office must generate a 'no pay due' RAS when collection of a debt results in 'no pay due.'

4.16 Debts incurred while the military retiree was on active duty must transfer on retirement to the military retiree pay office, and collection resumes from retired or retainer pay. It is not necessary to repeat the due process procedures before resuming collection.

4.17 Debt Owed to Another Military Service. When a military retiree of one Military Service owes a debt to another Military Service and a DCO of the creditor Service makes an administrative determination of indebtedness, the DCO may forward that determination, with certification of compliance with due process requirements, to DFAS Retired and Annuitant Pay for collection action.

4.18 Priority of Deductions and Collections. When the pay due a military retiree is not enough to cover all authorized deductions and collections, DFAS Retired and Annuitant Pay must use the following priority sequence for deductions and collections from pay:

4.18.1. Reduction of pay entitlement, which takes precedence over all other items for deduction or collection. These reductions include:

4.18.1.1. Readjustment pay,

4.18.1.2. Separation pay,

4.18.1.3. Severance pay,

4.18.1.4. Variable Separation Incentive,

4.18.1.5. Special Separation Benefit,

- 4.18.1.6. Reserve Special Separation Pay,
- 4.18.1.7. Forfeiture of pay, and
- 4.18.1.8. VA compensation.
- 4.18.2. Reimbursement to the United States, to include:
 - 4.18.2.1. FITW,
 - 4.18.2.2. TRICARE – Dental Plan,
 - 4.18.2.3. RSFPP premiums,
 - 4.18.2.4. SBP and Supplemental SBP (SSBP) premiums, and
 - 4.18.2.5. Reserve Component (RC) SBP (RCSBP) premiums;
- 4.18.3. Involuntary repayment of indebtedness to the United States, which includes:
 - 4.18.3.1. Routine adjustments and automatic collections;
 - 4.18.3.2. Other overpayments of retired pay and CRSC;
 - 4.18.3.3. Delinquent RSFPP, SBP, SSBP, or RCSBP costs;
 - 4.18.3.4. Debts arising from active duty;
 - 4.18.3.5. Debts to DoW appropriated fund activities;
 - 4.18.3.6. Hospital rations issued to a member;
 - 4.18.3.7. Excess cost of shipment of household goods;
 - 4.18.3.8. Unpaid hospital bills for medical services furnished a dependent;
 - 4.18.3.9. Court-martial fines; and
 - 4.18.3.10. Debts from other departments or agencies outside DoW, including court judgments.
- 4.18.4. Garnishment for alimony and child support payments and Uniformed Services Former Spouses' Protection Act payments;
- 4.18.5. Court-ordered bankruptcy payments under Section 13 of the revised Bankruptcy Code;

4.18.6. Indebtedness to a nonappropriated fund activity; and then

4.18.7. SITW.

4.19 Collection of Debt from SBP Annuitants

4.19.1. Liability. An SBP annuitant is liable for any debt resulting from overpayment of an annuity. A military retiree is liable for a debt resulting from erroneous annuity payments made based on the presumption of the member's death. If the member dies before such payments are fully recovered, the annuitant who received the annuity payments made under the presumption of death is liable for the indebtedness.

4.19.2. Collection of Debt. Upon discovering an overpayment, the DCO must provide the annuitant due process as required under Section 2. The DCO must advise the annuitant of the debt and the method by which the overpayment is being, or may be, liquidated. Refer to the PGI for a list of liquidation methods.

4.20 Collection of Debt from Former Employees, Former Members and Other Non-DOW Related Debtors

4.20.1 This section covers debts owed by individuals no longer employed by DoW or no longer on active duty, and by persons who were neither DoW employees nor active-duty members but are indebted to DoW ("out-of-service" debt). If a Component's DCO cannot collect a debt through salary offset because DoW does not pay the debtor, and the debtor has not agreed to pay in a lump sum, the DCO must obtain debt collection services from the DCMO. The DCMO operates the Defense Debt Management System (DDMS) to provide centralized, automated debt servicing and collection assistance to DCOs on delinquent debts owed to DoW by individuals DoW no longer pays. For Components using Treasury's CRS, see section 6.0. Refer to the PGI for potential reasons for out-of-service debt.

4.20.2. The DCMO may provide collection assistance for other debts only as specifically agreed in each Service's mission work agreement.

4.20.3. The DCMO must comply with 31 U.S.C. 3701 through 3720E and all applicable laws and regulations, including the FCCS. Per paragraph 5.4, the DCO, not the DCMO, is responsible for all due process requirements under the FCCS.

4.21 Advanced Education Assistance Debts Under 10 U.S.C. 2005

4.21.1. Advanced education assistance, including Reserve Officers' Training Corps scholarships and payments, require the recipient of such assistance to enter into a written agreement with the Secretary concerned. Under 10 U.S.C. 2005, the terms of the agreement must state that if the recipient does not complete the period of active duty, or other such terms as

specified in the agreement, the recipient will be subject to the repayment provisions of 37 U.S.C. 303a(e) or 37 U.S.C. 373, under which the obligation to repay the United States is, for all purposes, a debt owed to the United States.

4.21.2. If a Service cannot collect the repayment debt under the written agreement and the debt becomes delinquent, the Service may transfer the delinquent debt to the DCMO for further collection. The DCMO collects the delinquent debt owed to the United States per 31 U.S.C. 3701 through 3720E, regardless of the terms of the original agreement, and assesses interest, penalties, and administrative costs as stated in the DFAS debt notification, irrespective of the original agreement terms. Interest, penalty, and administrative-charge rates are set by Treasury under 31 U.S.C. 3717. Refer to the PGI for guidance on obtaining service from the DCMO.

4.22 The DCO must:

4.22.1. Initiate debt collection and ensure due process requirements (notification and opportunity for review) are met. The DCO must issue the initial bill, invoice, or debt notification letter to the debtor and take appropriate follow-up action. The DCO may use bills and invoices as an initial collection attempt, but bills and invoices generally do not meet due process requirements. The DCO must issue a debt notification letter setting out the debtor's due process rights before submitting the debt to the DCMO for collection services. Although only one due process notification is required, a DCO may issue additional written demands for payment as appropriate. Refer to Section 2 for guidance on issuing the debt notification letter.

4.22.2. Complete any previously initiated actions, such as reclamation, appeal, litigation, or foreclosure, before referring delinquent, individual, out-of-service debts to the DCMO.

4.22.3. Research and verify the military or civilian status of debtors so that only individual out-of-service debts are referred to the DCMO, or ensure other transferred debts comply with established procedures.

4.22.4. Refer delinquent, individual, out-of-service debts of \$225 or greater to the DCMO no later than 60 days after the payment due date when the DCO has not collected the debt or established a repayment schedule with the debtor. If an individual has multiple debts all under \$225, the DCO may consolidate them and refer them to the DCMO as one debt package. Components that have implemented the Delinquent Debt Management Guidance (DDMG) processes must refer eligible, legally enforceable, delinquent, individual out-of-service debt over \$25 to Treasury's Bureau of the Fiscal Service Debt Management Services for further collection where applicable. Refer to Volume 4, Section 3 for guidance on clearing out-of-service debts below the referral threshold.

4.22.5. For manually submitted debts, use a transmittal letter to refer eligible debts to the DCMO and to ensure that the debts are received by the DCMO (refer to paragraph 5.7 for systemic

referral of debts to the DCMO). Prepare the transmittal letter in duplicate and send it to askDFAS, along with all substantiating documentation, or to the DCMO, DFAS-IN, Department 3300 (ATTN: Case Management), 8899 East 56th Street, Indianapolis, IN 46249-3300, or via email to dfas.indianapolis-in.jaa.mbx.oosdebt-debtmgmt-baselevel@mail.mil. Send new debts with transmittal letters as often as required, but at least weekly. Identify on the transmittal letter all attached debt case files by name, social security number, and amount. Include the name, email address, and telephone number for the DCO point of contact and the name and location of the office accountable for the debt. Attach a copy of all documentation and background material in the debt case files. The required documentation includes:

4.22.5.1. A copy of the original bill, invoice, and/or debt notification letter. In order for the DCMO to accept the debt, the debt notification letter must comply with the requirements under Section 2;

4.22.5.2. The original debt principal amount with complete accounting classification and fiscal year to credit with any collections. Include a copy of the original disbursement voucher when the debt is the result of a previous payment;

4.22.5.3. The date the debt became known;

4.22.5.4. The date the debt was due;

4.22.5.5. The date the debt became delinquent (usually 30 days from the date of the debt notification letter);

4.22.5.6. The amount of accrued IPA;

4.22.5.7. Copies of any follow-up correspondence between the debtor and the DCO;

4.22.5.8. Amounts and dates of any prior collections and the accounting classification credited. Include a copy of the collection voucher when the collection was not processed through salary offset;

4.22.5.9. The debtor's branch of service or agency where formerly employed;

4.22.5.10. The debtor's, sponsor's, or beneficiary's social security number;

4.22.5.11. Military status and date of separation for members or employees whose period of service or employment ended with indebtedness;

4.22.5.12. Copy of DD 139 for military pay debts;

4.22.5.13. Copy of DD 2481 for civilian employee debts; and

4.22.5.14. Any other relevant documentation or information regarding the debt;

4.22.6. Include in each transmittal package a certifying statement that the referred debt amounts are correct and that the debts are delinquent, valid, and legally enforceable, and confirm that the DCO provided the debtor all due process requirements. DCOs referring debts electronically must also submit a debt certification statement. Exhibit 3-2 is a sample debt certification statement.

4.22.7. Maintain names, official addresses, and contact information for all witnesses to the events leading to the debt, and copies and location of physical evidence relating to the debt, for payroll debts involving fraud, misrepresentation, or credibility, and for all non-payroll debts. Retain all investigative reports. This information is necessary if the debt must be referred to the Department of Justice (DOJ) for litigation.

4.22.8. Mail any payments received from a debtor after the debt was referred to the DCMO to DFAS-IN, Department 3300 (ATTN: Case Management), 8899 East 56th Street, Indianapolis, IN 46249-3300. Include the debtor's name and social security number so the DCMO can credit the proper account.

4.23 The DCMO must:

4.23.1. Assist DCOs in the centralized management of debts, including automated, centralized processing, referral to private collection agencies or to Treasury, reporting, and accounting of debts.

4.23.2. Return uncollectible debts, debts requiring additional DCO collection action, and debts with incomplete documentation to the DCO with an explanation of the reason for the return.

4.23.3. Determine the effective date for entering the debts into DDMS, annotate the effective date on the duplicate copy of the transmittal letter, and return the duplicate copy of the transmittal letter to the DCO;

4.23.4. Pursue collection action once debts are entered in DDMS. Exhibit 3-3 illustrates a general overview of the individual, out-of-service, delinquent debt collection steps. The DCMO debt services provided to the DCO include the following: issuing written demands for payment to the debtor; collecting debts via lump sum or agreed-upon installment payments; referring delinquent debts to private collection agencies for collection; reporting debts to credit bureaus; referring uncollectible, delinquent debts to Treasury for offset (see Section 2); and referring uncollectible debts to the DOJ for litigation. The DCMO may also process debts for compromise, suspension of collection, or termination of collection. In the case of deceased debtors, the DCMO must use DD 2840, Request for Information Regarding Deceased Debtor, to seek information from state probate courts concerning the establishment of an estate in order to pursue collection;

4.23.5. Provide the data recorded in DDMS monthly to DFAS departmental accounting offices.

4.23.6. Retain all pertinent debt documentation. On request, provide feedback on the status of debt collection to the applicable DoW Component.

4.23.7. Provide PROs the data on collections from former civilian employees so the PRO can make necessary changes to applicable records (for example, SF 2812, Report of Withholdings and Contributions; SF 2806 or SF 3100, Individual Retirement Record; IRS Form W-2, Wage and Tax Statement; and IRS Form 941, Employer's Quarterly Federal Tax Return).

4.24 DFAS Departmental Accounting Offices. DFAS departmental accounting offices must use DDMS to establish and maintain accountability at the departmental level for all debts referred to the DCMO. These offices must report the transfer-out and transfer-in of these debts on Part I, Section A, Line 5.A, "Reclassified/Adjusted Amounts" on the Treasury Report on Receivables (TROR), with the required footnote. Components that have implemented the DDMG processes must maintain accountability in their systems and submit TROR data directly to Treasury. Volume 4, Section 3, contains more specific reporting requirements.

4.25 Collection Assistance

4.25.1. Uncollected debts over \$225 on the Master Military Pay Account of Active and Reserve Component members that are due on separation or retirement, debts for offset from retired or annuitant pay, and some other out-of-service debts are systemically referred to the DCMO. Referred debts must be correct, valid, and legally enforceable, and the DCO must have provided all due process requirements unless an agreement provides that the DCMO will provide due process. Once entered in DDMS, these system-generated debts are serviced the same as debts referred by the DCOs under paragraph 5.5. Defense Retiree and Annuitant Pay System (DRAS) debts arise when payments are made after entitlement to retired pay has ended and are transferred to the DCMO monthly through a DRAS-DDMS interface.

4.25.2. Components that have implemented the DDMG processes must refer eligible, legally enforceable, delinquent, individual, out-of-service debt over \$25 directly to Treasury for further collection where applicable. See Section 2 for guidance on referring delinquent debts to Treasury.

4.26 Refunding Previously Collected Debts and Late Payment Charges

4.27 Refunds of collected debts may be required when a debt is determined invalid or should have been forgiven under applicable law or regulation. Payments received from debtors for principal and IPA must be refunded when a debt is found not due to the Government, for example when waiver or remission is granted, when a post-collection clarification changes the debt amount, or as a result of an administrative or judicial order. If an offset mistakenly exceeds 15 percent of disposable pay and the debtor has not consented to deductions at a greater percentage, the DCO must refund the difference upon the debtor's request. Refer to the PGI for procedures associated with issuing a refund.

5.0 HEARINGS, INFORMAL DISPUTES, WAIVERS, AND REMISSIONS/CANCELLATIONS OF DEBT OWED BY INDIVIDUALS

5.1 Non-Waiver of Rights By Payment

A debtor's involuntary payment of all or any portion of a debt must not be construed as a waiver of any rights that the debtor may have under 5 U.S.C. § 5514 or any other provision of a contract or law unless there are statutory or contractual provisions to the contrary. 5 CFR 550.1104(o) provides additional information.

5.2 HEARINGS UNDER

5.2.1. Debtors Under This Section. For the purposes of section 3.0, a debtor is an individual, other than an active duty, reserve, or retired Service member (unless otherwise indicated), who owes a debt to DoW, subject to involuntary offset under 5 U.S.C. § 5514 and 31 U.S.C. § 3716.

5.2.2. Requirement for Hearings. Hearings conducted by a hearing official are required prior to salary offset under 5 U.S.C. § 5514. Prior to administrative offset under 31 U.S.C. § 3716, a review by an agency official is legally sufficient, unless a hearing before a hearing official is granted under subparagraph 3.3.3.2.1, pursuant to 31 CFR 901.3(e). Defense Finance and Accounting Service (DFAS), in its sole discretion, may perform hearings in other circumstances, as it deems necessary.

5.2.3. Active Duty, Reserve, and Retired Service Members. Due process review procedures for the debts of active duty, reserve, or retired Service members are set out at section PGI for Financial Liability Investigation of Property Loss (FLIPL) hearing procedures for FLIPL debts involving active duty Service members.

5.2.4. Due Process Requirement. Granting a debtor the opportunity for a hearing is a due process requirement of 5 U.S.C. § 5514 and 31 U.S.C. § 3716. Debtors must be afforded the opportunity to dispute a debt prior to the initiation of involuntary offset to collect indebtedness due

the U.S. Government, except in those instances listed in subparagraph 3.1.8. See 5 CFR 550.1104, 31 CFR 285.5, and 31 CFR 901.3. A debtor who repays a debt in part or in full, either before or after the filing of a timely hearing petition, does not waive their right to a hearing. Debtors may petition for a hearing to contest the validity or amount of the debt, or the involuntary repayment schedule. Generally, all issues requiring a hearing will be consolidated and decided in one hearing.

5.2.6. Hearing Petition. To request a hearing, the debtor must submit a timely hearing petition that meets the requirements of subparagraph 3.2.2. Timely filing of a hearing petition stays the start of collection procedures until the hearing results are rendered, unless collection is needed to protect the Government's interests.

5.2.7. Upon receipt of the hearing petition, the Debt Collection Office (DCO) must perform a reconsideration of the debtor's records to validate the debt. Reconsideration is an informal examination of internal debt records by the DCO to validate the debt without appointing a hearing official and is the first step in the hearing process; it is not the formal hearing (see subparagraph 3.2.3.2). The DCO must issue the written reconsideration results to the debtor. After receiving the results, the debtor must notify the DCO of intent to continue with a formal hearing within 30 days from the date of the reconsideration or by the date in the reconsideration letter. If the debtor proceeds, a hearing official must make a written determination on the validity or amount of the debt or the proposed involuntary repayment schedule.

5.2.8. Exception to Requirement for Formal Notice, Hearing, Reconsideration Results, and Final Decision. Pursuant to 5 CFR 550.1104(c), a debtor is not entitled to a formal notice, hearing, written response, or a final decision under certain circumstances. Refer to the PGI for additional information.

5.3 Hearing Petitions

5.3.1. The debtor must file a written petition to request a hearing to contest the validity or amount of the debt or the involuntary repayment schedule (see 5 CFR 550.1104(e) and 31 CFR 901.2(b)(1)). The debtor must file the petition per the instructions in the DCO's debt notification letter, no later than 30 calendar days from the mailing date of the debt notification or by the date stated in the notification.

5.3.2. A debtor contesting an involuntary repayment schedule must file a hearing petition no later than 30 calendar days from the mailing date of a notice rejecting an unacceptable voluntary repayment agreement, or by the date stated in the notice.

5.3.3. If the debtor first makes a written request for records related to the debt, the debtor must file a hearing petition within 45 days after the date the records are distributed to the debtor by mail, electronically, or in person.

5.3.4. Content of Hearing Petition. A hearing petition must identify and explain, with reasonable specificity, the facts and evidence the debtor believes support the debtor's position. There is no standardized format, but the petition must be in writing and contain the information listed in the PGI.

5.4 The Hearing Process

5.4.1. All hearings are conducted in accordance with 31 CFR 901.3(e) and 5 CFR 550.1104. Refer to the PGI for additional information on the hearing process.

5.5 Hearings for Administrative Wage Garnishment (AWG)

The U.S. Department of the Treasury (Treasury) may request that DCMO hearing officials conduct hearings requested by individuals who owe debts to DoW when the Treasury is attempting to collect from the debtor using AWG procedures pursuant to 31 U.S.C. § 3720D and 31 CFR 285.11. DFAS adopts by reference, and conducts AWG hearings consistent with, 31 CFR 285.11.

5.6 Hearings for Government Travel Charge Card Debts

Inquiries or disputes regarding the debt and the 90-day demand notice received by the travel charge card contractor before the debt is forwarded to DFAS for collection must be handled and resolved by the travel charge card contractor. A debtor who wants to negotiate an installment agreement before referral of the debt for salary offset must make that agreement with the travel charge card contractor. A debtor not satisfied with the contractor's disposition of the dispute may submit a petition for a debt hearing to the DCMO.

5.7 Reviews for Active Duty, Reserve, and Retired Service Members

5.7.1 Due Process Under 37 U.S.C. § 1007 and 5 U.S.C. § 5514. Active duty, reserve, and retired Service members are entitled to due process, consisting of a notice and an opportunity for review, prior to the initiation of debt collection unless otherwise required by statute. See Section 2 for due process requirements for routine pay adjustments and Section 3 for debts transferred from other agencies.

5.7.2 Requesting a Review. A Service member who questions the validity or amount of a debt may request review and validation of the debt by the DCO. A Service member may also contest the involuntary repayment schedule.

5.7.2.1. Time Limit For Requesting a Review. The review request must be received no later than 30 days from the mailing date of the debt notification, or by the date the notification indicates. A Service member who fails to submit a timely request waives the right to a review. The DCO may accept a late request if the Service member shows the delay was due to

circumstances beyond the Service member's control. Refer to the PGI for additional information on reviews of Service members' debts.

5.7.3 Written Review Results. Written review results should be provided within 60 calendar days and must contain the following:

5.7.4 Appeal of Final Determination. The DCO's determination on review is final. There are no provisions to review or appeal the DCO's decision on salary or administrative offset. However, Service members may exercise any other waiver, remission/cancellation, or review right provided by other statute or regulation. For example, DOHA considers appeals of claims for uniformed services pay and allowances. Refer to 32 CFR 282.5(b)(2) and 32 CFR 282, Appendix E for appeal-right information.

5.8 Informal Debt Disputes

5.8.1 At the debtor's request, the DCO may perform an informal courtesy review of a debt. This informal review is typically not intended to satisfy due process requirements and is in addition to such procedures. The informal courtesy review of a debt by the DCO typically occurs when the debtor submits a written "debt protest" or "debt dispute" to the DCO after the time period for filing a hearing petition has expired. The purpose of the courtesy review is to allow the DCO to validate the debt and respond to the debtor's questions. Section 5 contains guidance on contractor debt disputes.

5.8.2 Processing Informal Debt Disputes

5.8.3. A written request from the debtor is required before a debt may be placed in disputed or protest status. Refer to the PGI for procedures related to debts placed in dispute.

5.9 Waiver of Indebtedness

5.9.1 Title 5 U.S.C. § 5584, 10 U.S.C. § 2774, and 32 U.S.C. § 716 provide the head of an executive agency with the authority to waive an indebtedness that is the result of an erroneous payment of pay or allowances, or an erroneous payment of travel, transportation, or relocation expenses and allowances. Title 10 U.S.C. § 1453 provides authority to waive indebtedness that is the result of an erroneous payment of Survivor Benefit Plan (SBP) annuity.

5.9.2. The Under Secretary of Defense (Comptroller) delegated waiver authority to the DFAS Director by memorandum dated January 29, 1992, upheld in DoW Directive 5118.05, "Defense Finance and Accounting Service (DFAS)." The DFAS Director re-delegated this authority to the DFAS-Indianapolis (IN) Director. The authority is subject to the dollar-value limits in paragraph 8.2, and its exercise must be coordinated with the affected DoW Component where appropriate. The DCMO exercises waiver authority for DoW military and civilian employees,

except authority specifically delegated to the Director, DoWEA; the Director, NSA; and the heads of non-DoW Components.

5.9.3. Policies and Procedures. Policies and procedures for considering applications for waivers of indebtedness resulting from erroneous payments to or on behalf of Service members and civilian DoW employees are set forth in DoWD 1340.22, “Waiver of Debts Resulting from Erroneous Payments of Pay and Allowances,” which is codified at 32 CFR 283. Detailed waiver procedures for debts resulting from erroneous pay and allowances are set forth in DoW Instruction (DoWI) 1340.23, “Waiver Procedures for Debts Resulting from Erroneous Pay and Allowances,” which is codified at 32 CFR 284. Also refer to the PGI for procedures associated with submitting and reviewing debt waivers.

5.10 The DCMO's, or other designated waiver authority's, authority to grant or deny a waiver depends on the aggregate amount of the debt. The aggregate amount is the total debt before deductions for repayments or withholding for taxes.

5.10.1. Under 5 U.S.C. 5584, the DCMO or other designated waiver authority may grant a waiver of debt aggregating to not more than \$1,500 for civilian employees. Under 10 U.S.C. 2774 and 32 U.S.C. 716, the DCMO or designated waiver authority may grant a waiver of debt aggregating to not more than \$10,000 for military or National Guard members. There is no threshold limiting the DCMO or designated authority's ability to deny a waiver for civilian employees or military members.

5.10.2. If the aggregate debt is greater than \$1,500 for civilian employees or greater than \$10,000 for military or National Guard members, authority to grant the waiver resides with the Director, DOHA, or a designee under the DoW OGC. All requests should be submitted to the DCMO, which forwards relevant requests to DOHA for consideration.

5.11 Submission of Request for Waiver

5.11.1. DoWEA and NSA civilian employees must forward waiver applications to the DoWEA and NSA designated waiver approval authorities.

5.11.1.1. Civilian Employees. DoW civilian employees must submit a waiver application within 3 years from the date the erroneous payment was discovered. The date of discovery is the date an appropriate official first determines an erroneous payment was made. This timeframe cannot be extended or waived.

5.11.1.2. Military Members. Military members (active, reserve, retired, and National Guard) must submit a waiver application within 5 years from the date the erroneous payment was discovered. The date of discovery is the date an appropriate official first determines an erroneous payment was made. This timeframe cannot be extended or waived.

5.11.2. Contesting the Debt. By submitting a waiver application, an individual acknowledges that he or she does not intend to dispute the validity or amount of the debt. Waiver is not the proper forum to contest validity or amount; to contest validity or amount, an individual must petition for a hearing under section 3.0. A waiver application that includes arguments about validity or amount may be returned without action or denied.

5.11.3. Application Filed by a Representative. A waiver application submitted by the debtor's agent or attorney must include a duly executed power of attorney or other documentary evidence of the agent's or attorney's right to act for the debtor.

5.11.4. Application Filed by a Guardian for Minor/Incompetent Debtors. If a guardian or committee has been appointed for a debtor who is a minor or incompetent person, the waiver application filed on the debtor's behalf must include a court certificate showing the appointment and qualification of the guardian or committee. If no guardian or committee has been appointed, the application submitted on the debtor's behalf must:

5.11.4.1. State the applicant's relationship to the minor or incompetent person;

5.11.4.2. Provide the name and address of the person having care and custody of the minor or incompetent person; and

5.11.4.3. Include an affirmation that any money received will be applied to the use and benefit of the minor or incompetent person and that the appointment of a guardian or committee is not contemplated.

5.12 Suspension of Debt Collection Pending Waiver Determination. Collection of a debt should not routinely be suspended pending a waiver determination (refer to 31 CFR 903.2(c)(2)). The DCO must determine, in each case, whether suspension of collection under 31 CFR 903.2, or a delay in collection action, is appropriate based on the following criteria:

5.12.1. Waiver will likely be granted,

5.12.2. Erroneous payment can be recovered if waiver is not granted, or

5.12.3. Collection of the debt would cause undue financial hardship.

5.13 Standards for Reviewing Requests for Waiver. Standards for determining the appropriateness of a waiver are in DoWI 1340.23. Appropriateness depends on the facts of each case. Generally, a person who receives an erroneous payment from the U.S. Government acquires no right to the money and is bound in equity and good conscience to make restitution; if the payment was made by mistake, however careless the Government's act, the recipient must make restitution. A waiver is not a matter of right and is available only as equitable relief when warranted by the individual case. Economic or financial considerations play no role in the determination.

5.13.1. Indication of Fraud, Misrepresentation, Fault, or Lack of Good Faith. A waiver may be granted only when collection would be against equity and good conscience and not in the best interests of the United States. There must be no indication the erroneous payment resulted, in whole or in part, from the applicant's fraud, misrepresentation, fault, or lack of good faith.

5.13.1.1. Generally, a waiver is precluded when the individual, or another person with an interest in obtaining a waiver, receives a significant, unexplained increase in pay or allowances, or otherwise knows or reasonably should know an erroneous payment occurred and fails to inquire or notify appropriate officials. A waiver may be inappropriate even if the recipient inquires or notifies appropriate officials and is mistakenly advised the payment is proper. A Government administrative error is not, by itself, a sufficient basis for granting a waiver.

5.13.1.2. An individual does not acquire title to amounts paid erroneously and should hold the excess for eventual repayment to the U.S. Government. DOHA has held that a waiver will not be granted if the debtor had records (such as LESs) that, if reviewed, would have indicated an overpayment, and the debtor failed to review them for accuracy or otherwise failed to take corrective action. Such failure renders the debtor partially at fault and ineligible for a waiver.

5.14 Action of the DCMO or Designated Waiver Authority

5.14.1. If the aggregate debt is not more than \$1,500 for civilian employees or \$10,000 for military or National Guard members, the DCMO may grant or deny part or all of a waiver application.

5.14.2. If the aggregate debt is more than \$1,500 for civilian employees or \$10,000 for military or National Guard members, the DCMO must do the following:

5.14.2.1. Deny the waiver application in its entirety; or

5.14.2.2. Refer the waiver application to DOHA for its consideration, along with a recommendation that part or all of the debt be waived.

5.15 Appeal of Waiver Denial. Per DoWI 1340.23, a debtor may appeal the denial of a waiver application. The appeal must be submitted to the DCMO, or the designated waiver authority that made the determination, within 30 calendar days of receipt of the written denial. The DCMO may extend this period up to an additional 30 calendar days for good cause; no appeal will be accepted after that time expires. The DCMO must review the appeal and forward it to DOHA, and the debtor must submit the appeal to the DCMO rather than directly to DOHA. DOHA will review the appeal and affirm, modify, or reverse the DCMO's initial determination.

5.16 Waiver of SBP Overpayments

5.16.1. Authority. Recovery of debts resulting from erroneous SBP payments may be waived under 10 U.S.C. 1453. The Under Secretary of Defense (Comptroller) delegated this waiver authority to the DFAS Director by memorandum dated February 1, 1991 (see DoWD 5118.05). The DFAS DCMO exercises this authority on behalf of the Director. Refer to the PGI for information on submitting and reviewing requests for waiver due to SBP overpayment.

5.16.2. Debts Not Eligible for Waiver. Debts resulting from unpaid SBP premium payments are not eligible for waiver under this provision.

5.16.2.1. Time Limit for Filing Application. Debtors must submit a waiver application within 3 years from the date the erroneous payment was discovered. The date of discovery is the date an appropriate official first determined an erroneous payment was made, typically the date the debt notification was issued. This timeframe cannot be extended or waived.

5.16.2.2. Contesting the Debt. By applying for waiver of a debt, an individual acknowledges no intent to dispute the debt's validity or amount. A waiver is not the forum to contest validity or amount; to contest validity or amount, an individual must petition for a hearing under section 3.0. A waiver application that argues validity or amount may be denied as ineligible for consideration.

5.16.2.3. Application Filed by Representative. If an annuitant has a representative payee authorized to receive payments under Volume 7B, Chapter 46, paragraph 2.2, the representative may submit a waiver application if the representative also holds legal authority to act for the annuitant. The representative must submit additional documentation the DCMO requires, such as a power of attorney or other evidence of the right to act for the debtor.

5.16.3. Suspension of Collection Pending Waiver Determination. Collection of a debt should not routinely be suspended pending a waiver determination (see 31 CFR 903.2(c)(2)). The DCO will determine case-by-case whether a formal suspension of collection under 31 CFR 903.2 is necessary or whether an informal delay in collection action is appropriate, based on the following criteria:

5.16.3.1. Whether the waiver will likely be granted,

5.16.3.2. Whether the erroneous payment can be recovered if waiver is not granted,

or

5.16.3.3. Whether collection of the debt would cause undue financial hardship.

5.16.4. Standards for Reviewing Requests for Waiver. Waiver of the recovery of an SBP annuity overpayment may be appropriate when the debtor is not at fault, and recovery of the overpayment would be contrary to the purposes of SBP, or against equity and good conscience. The appropriateness of granting a waiver will depend on the facts of each particular case. Pursuant to Comptroller General (Comp. Gen.), B-133142 (1978), B-178696 (1978), the standards for reviewing a request for waiver of SBP annuity overpayment are the same as those used for considering waiver requests under 10 U.S.C. § 2774 and 5 U.S.C. § 5584. DFAS DCMO uses the standards set out in DoWI 1340.23 for considering waiver applications for debts resulting from SBP annuity overpayments. Refer to paragraph 8.5 for a discussion of the standards used in waiver application determinations.

5.16.5. Refund of Amounts Collected. Any amount collected before DFAS-IN receives the debtor's waiver application will not be refunded. A refund is not authorized by law. If a waiver is granted, amounts collected after DFAS-IN received the completed waiver application from the annuitant may be refunded to the annuitant. Refer to Comp. Gen. B-184532 (1975) for information on when refund is appropriate.

5.16.5.1. Who May Appeal. A waiver applicant may appeal the DCMO's denial of all or part of a request to waive SBP annuity overpayments under 10 U.S.C. 1453. An applicant may also appeal the denial of a waiver application not received by DFAS within the required time limit.

5.16.5.2. Determining Official. The determining official on all appeals is a DFAS official assigned to review the DCMO's initial waiver determination. Under subparagraph 8.2.1 and 10 U.S.C. 1453, DFAS has delegated full authority to consider all waivers, including appeals and requests for reconsideration. Refer to the PGI for information on submission and adjudication of appeals.

5.16.5.2.1. Time Limit for Requesting Reconsideration. An applicant may ask the determining official to reconsider the final written determination of the appeal. A request for reconsideration must be received within 30 days from the date of that determination. This period may be extended up to an additional 30 days for good cause. The determining official must review any rebuttal submitted in support of the request and issue a written determination. Refer to the PGI for information on the review of requests for reconsideration.

5.16.5.2.2. The reconsideration response is a final action.

5.17 Other Waiver Authority. Other waiver authority may apply to payments that were not erroneously paid. The agency component generally exercises this authority. A debt from a non-erroneous payment may be eligible for waiver under the following statutory authorities:

5.17.1. Voluntary Separation Incentive Payment and Reemployment (5 U.S.C. § 3524(c)),

5.17.2. Employee Agreements, Service after Training (5 U.S.C. § 4108(c)),

5.17.3. Student Loan Repayments (5 U.S.C. § 5379(c)(3)),

5.17.4. Recruitment and Relocation Bonuses (5 U.S.C. § 5753(e)),

5.17.5. Quarters Allowances (5 U.S.C. § 5922(b)),

5.17.6. Physicians Comparability Allowances (5 U.S.C. § 5948(e)), or

5.17.7. Payments to Dependents of Missing Civilians (5 U.S.C. § 5566(g)).

5.18 Remission or Cancellation of Indebtedness

5.18.1 Remission or Cancellation of Indebtedness Due From Military Members. Title 10 U.S.C. 7837, 10 U.S.C. 8271, and 10 U.S.C. 9837 authorize remission or cancellation of indebtedness due from a military member. Remission or cancellation is limited to debts from overpayments of active duty pay and is not available for debts from overpayments of military retired pay. This authority may be exercised for any debt incurred on or after October 7, 2001. Title 32 U.S.C. 710(c) provides remission or cancellation for National Guard members. Remission or cancellation under these statutes is not available to DoW civilian employees.

5.18.2 Submission of Request for Remission or Cancellation. Requests for remission or cancellation from members of the Army, Air Force, Navy, Marine Corps, National Guard, or Space Force must be submitted on forms the respective Services designate and forwarded to the Service for processing. DFAS does not process remission or cancellation requests for any Service.

5.19 Indebtedness Which May Be Remitted or Cancelled

5.19.1. Debts to the United States. Generally, any indebtedness may be considered for remission or cancellation. Denial of a waiver under 10 U.S.C. 2774 does not preclude a member from applying for remission or cancellation of the debt. Debts arising from an erroneous payment of basic pay due to non-collection of court-martial forfeitures may not be remitted or cancelled.

5.19.2. Debts Within Jurisdiction of Military Service Concerned. The debt must be a debt over which the Military Department concerned has jurisdiction. For example, the Secretary of one

Military Department may not remit a member's indebtedness for liability for damage to property of another Military Department.

5.20 Additional Options for Debt Relief

5.20.1 Claim for Refund. A military member may file a written claim on a DD Form 827, Application for Arrears in Pay, for any amounts considered erroneously collected from the member's pay account. The member must submit the form to the member's pay office or, if separated for more than a year, to DFAS-IN/JFEC, Department 3300 (ATTN: Claims), 8899 East 56th Street, Indianapolis, IN 46249-3300, or submit a ticket. If the claim is denied in whole or in part, the member may appeal to DOHA under 32 CFR 282, Appendix E.

5.20.2 Correction of Military Records. The Secretary of a Military Department, under procedures that Secretary establishes and the Secretary of Defense approves, and acting through boards of civilians of the executive part of that Military Department, may correct any military record of that department when the Secretary concerned considers it necessary to correct an error or remove an injustice. If an individual is owed money from a record correction, any earnings from civilian employment, self-employment, or an income-protection plan for that employment during the period active duty pay and allowances are payable must be deducted from the settlement. To the extent authorized by law and regulation, a settlement must be reduced by the amount of any existing indebtedness the individual owes the Government arising from military service. See Volume 7B, Chapter 10 for additional guidance on correction of records.

6.0 COLLECTION OF DEBTS OWED BY CONTRACTORS

The term Debt Collection Office (DCO), as used in this section, refers to vendor pay offices, contracting offices, and any other office that processes contractor debts. The DCO does not refer to the Defense Finance and Accounting Service (DFAS) Debt Management Office (DMO).

6.1 Collection Actions

6.1.1 Contract Debts. Contract debts result from amounts that have been paid to the contractor, to which the contractor is not entitled under the terms and conditions of the contract, or amounts otherwise due from the contractor. For a list of what is considered a contract debt, refer to the PGI.

6.1.1.1 Once a contractor might be indebted to the DoW, the contracting officer or the payment office must issue a demand for payment to the contractor, provide an opportunity to inspect relevant records, and provide an opportunity to request a review of the debt as set forth in Section 2.

6.1.2. Demand Letters. Demand letters must comply with the requirements in Section 2. The notice of indebtedness to a contractor must state that, per OMB Circular A-123, Appendix C, Part III, high-dollar overpayments may be reported on the Federal Government's improper payment website. Refer to Volume 4, Section 14 for the definition of a high-dollar overpayment.

6.1.2.1. The contracting officer has primary responsibility for determining the debt amount and ensuring collection for most types of contract debts, except debts resulting from payment-office errors. Refer to the PGI for a list of required supporting documentation, and dollar referral thresholds, for debts referred to the DCO or DMO.

6.1.2.2. When a contracting officer or other authorized official requests that a payment office collect a debt and provides a copy of the contract, including the payment dates and amounts due from the contractor, the payment office must collect the debt.

6.1.2.3. If the contracting officer or other designated official receives the contractor's payment, that official must immediately forward the payment to the disbursing office with a request for confirmation of receipt.

6.1.2.4. The appropriate DoW Component contracting officer, or other designated official, must determine the debt amount and demand repayment for debts pursuant to FAR 32.6 and DFARS 232.6.

6.1.2.5. The contracting officer must send a copy of each demand for payment, and documentation identifying the line of accounting for distribution of the principal amount of the debt, to the payment office cited in the contract so the Accounts Receivable Office (ARO) applies the funds correctly.

6.1.2.6. The contracting officer must periodically follow up with the DCO, ARO, or supporting accounting office to ensure contract debts are collected and credited to the proper appropriations.

6.1.2.1. Payment offices are designated to make payments under a contract and to receive payments for amounts due to DoW. Payment offices must determine the amount of contract debts resulting from overpayments or erroneous payments and initiate collection action on those debts.

6.1.2.2. The payment office must also collect contractor debts when the amounts due and payment dates are in the contract and a copy of the contract has been furnished to the payment office with notice to collect as amounts become due.

6.1.2.3. When a contract modification (downward adjustment) issued after the date of a disbursement causes a contract to be in overpayment status, the result of that modification is not an erroneous payment for purposes of this Section. The payment office must contact the

procuring or administrative contracting officer who issued the modification to ensure a demand letter is sent to the contractor for collection of funds.

6.2 Administrative Offset

6.2.1 To the extent practicable, debts must be collected by voluntary lump-sum repayment or by administrative offset of payments the DoW owes the contractor, unless an installment agreement is in place or a deferment of collection has been approved (FAR 32.607). If 30 days have elapsed since the due date in the demand for payment and no payment has been received, the DCO must offset the contractor's indebtedness against other monies owed to the contractor.

6.2.2. FAR 32.606 allows offsetting contractor payments to liquidate debts owed by the contractor. If additional payments are scheduled under the same contract, the DCO must administratively offset against those payments first. The DCO must coordinate with the payment office to apply administrative offsets against amounts due the contractor under other contracts if offset against the contract that gave rise to the debt cannot be accomplished. The disbursement voucher must be approved and the accounting classification charged for the total entitlement amount without regard to the deduction. The DCO must prominently annotate the face of the voucher, or the electronic equivalent, with the amount withheld and the accounting classification credited so that only the net amount is paid to the contractor, and the voucher must adequately inform the payee of the reason for the deduction.

6.2.3. Administrative offsets normally will not be taken when there is a valid assignment of claims, under the Assignment of Claims Act of 1940 (31 U.S.C. § 3727 and 41 U.S.C. § 6305), associated with the contractor. DCO personnel should seek guidance from their legal office, as appropriate, in determining whether an administrative offset may be taken when an assignment of claims exists.

6.2.4. Pursuant to 31 U.S.C. § 3716, and in accordance with 31 CFR 901.3(b)(2), a DCO must process an administrative offset to collect a debt when the name and TIN of a payee matches the name and TIN of a debtor, and all other requirements for administrative offset have been met.

6.3 Credit Invoice

6.3.1. A contractor may request to liquidate a debt against existing unpaid bills due to the contractor. As an exception, DCOs may accept a credit invoice only under special circumstances, and only when a current payable invoice exists to which the credit can be applied. On request, the contractor should furnish the DCO an invoice number, date, and the amount of the debt to be offset against the invoice, per the credit invoice.

6.3.3. If a contractor does not state that the credit-invoice amount can be deducted from other amounts due, the DCO must determine the most effective manner to collect the debt. In

making this determination, DCOs must weigh both the relative costs DoW would incur under various options and the method expected to liquidate the debt at the earliest date. That latter factor depends on the expected volume and frequency of incoming invoices susceptible to administrative offset, and whether that option is more effective and efficient than a credit invoice.

6.3.4. DCOs must acknowledge receipt of the credit invoice and inform the contractor of its disposition. If direct remittance is required, the acknowledgment must state that DoW cannot accept the document as liquidation of the indebtedness and must ask the contractor to remit a check to the applicable address. The contractor may instead identify an invoice to offset. Receipt of a credit invoice by the due date stated in the demand letter does not preclude charging interest and administrative charges.

6.4 Installment Payment Plans

6.4.1 General. Whenever possible, payment to liquidate a debt, including a deferred payment, must be made in one lump sum. When a contractor establishes sufficient justification, the DCO may approve a series of installment payments to liquidate the debt within a reasonable period. Per 31 CFR 901.8, installment payments should be sufficient in size and frequency to liquidate the debt within 3 years. If the contractor requests a repayment term of more than 3 years, the DCO must refer the request to the DMO for a determination.

6.4.2 Installment Payment Approval Authority. The DMO is the approval authority for a contractor's installment-agreement request. The DMO may not deny a request without first obtaining consent from the creditor DoW Component's senior financial manager (FM) or designee. In that case, the DMO must send the request to the creditor Component's senior FM or designee within 3 working days after receiving the request.

6.4.3 Installment Payment Notification. The DMO must make installment agreements available to the office that referred the debt and to the creditor DoW Component's senior FM or designee.

6.5 Referral of Delinquent Debts to DMO

6.5.2 Delinquent Debts

6.5.2.1. DCOs must refer valid and legally enforceable debts that are equal to or greater than the thresholds in paragraph 5.1, individually or in aggregate, to the DMO no later than 90 days after the date on the debt notification. The DCO must validate debts before referral to the DMO. The DMO must annotate acceptance of the debt in the appropriate system, making the information available to the DCO and the supporting accounting office that maintains the official accounting records. Administrative charges may be assessed for the expenses of referring the debt.

Delinquent debts incurred under FAR 51.102 may be referred back to the authorizing agency if not satisfied by the contractor. Refer to the PGI for a list of required supporting documentation.

6.5.2.2. When referring a debt to the DMO, DCOs must submit the documentation listed in the PGI.

6.5.2.3. After referral, the DMO has full responsibility for collecting the delinquent debt. Accounting and reporting do not transfer to the DMO; they remain with the servicing accounting office, which uses status information the DMO provides. The DMO maintains only a memorandum accounts receivable record. Any office other than the DMO that receives a payment after referral must notify the DMO of the receipt and disposition within 3 business days. The ARO must notify the FM representative of the cognizant DoW Component when the debt should be closed. For dual-negotiated checks, the DMO must also notify the accountable payment office.

6.6 Referral of Debts to Treasury

6.6.1. The DMO must refer valid and legally enforceable debts delinquent more than 120 days to Treasury for debt collection and cross-servicing. While a debt is at Treasury, the DMO retains overall responsibility for tracking and monitoring it and must recall any uncollected debt with enough time to refer it to the Department of Justice for potential litigation or to write it off and close it out.

6.6.2. Components that have implemented the DDMG should refer delinquent debt over \$25 directly to Fiscal Service, Debt Management Services for further collection action where applicable.

6.7 DISPUTES AND DEFERMENTS UNDER THE CDA

6.7.1 Under the Contract Disputes Act of 1978 (41 U.S.C., Chapter 71), a contractor may appeal a decision of indebtedness to the Armed Services Board of Contract Appeals (ASBCA) or through the U.S. courts. Actions filed under the Disputes Clause do not suspend or delay collection unless the contractor has been granted a deferment under paragraph 6.3 or has entered an installment payment plan under section 4.0. Interest, penalties, and fees continue to accrue on uncollected debts that have been formally disputed.

6.7.2 Crediting Collections in Dispute

6.7.2.1. When an amount, including interest and administrative fees, is collected from a contractor and the contractor formally disputes the debt, DoW must not account for the collected amount as settlement of the debt. The disputed amounts must remain available pending disposition of the dispute, and interest, penalties, and fees no longer accrue because the debt has been collected. The collection must be documented as a disputed contract collection; for example, debts collected by DFAS are coded as disputed in the Contract Debt System.

6.7.2.2. The payment office typically handles collection of a debt. If another office, including the ARO, supporting accounting offices, the DMO, contracting officers, contract administration officers, or legal offices, receives a payment against an existing debt, that office must forward the payment to the relevant DCO immediately.

6.7.2.3. The DCO and the responsible payment office must notify the contracting officer, the contract administration officer if applicable, the Service or agency contract finance officer, or another authority of any matters affecting the disputed collections. Those officers or offices must also inform the responsible payment office and the DCO of any actions taken that affect the disputed collection.

6.8 Deferments

6.8.1. Under the CDA of 1978, a contractor may appeal a decision of indebtedness to the ASBCA or through the U.S. court system. In accordance with FAR 32.607, the contractor may request, in writing, deferment of debt repayment until the appeal is decided.

6.8.2. In accordance with FAR 32.607, the contractor must submit the request for deferment to the contracting office.

6.8.3. The contracting office must promptly forward the deferment request to the appropriate DoW Component's senior FM or designee. The senior FM or designee must approve or deny the request and notify the contracting office and the DMO of the decision.

6.8.4. Collection of the debt must continue until the date the deferment is granted.

6.9 Write-Off and Close-Out of Accounts Receivable

6.9.1. Tax Reporting. The DFAS Tax Office will obtain information on all closed-out, uncollected public contractor debt. Per 26 U.S.C. 6050P, the Tax Office must issue debtors an Internal Revenue Service Form 1099-C, Cancellation of Debt, if the closed, uncollected debt is \$600 or more for the calendar year.

6.10 BANKRUPTCY

6.10.1. Within DoW, the DFAS Office of General Counsel (OGC) will file contractor bankruptcy proofs of claim. DFAS-OGC is not responsible for litigating contractor bankruptcies; the litigation function remains with the DoW Component and is accomplished by the Department of Justice through the responsible U.S. Attorney. Per FAR subpart 42.9, the actions detailed in paragraphs 8.1 through 8.6 will be taken when the procuring contracting office or contract administration office receives notice of bankruptcy from the contractor or another source. Refer to the PGI for additional guidance on bankruptcy, to include notification requirements.

7.0 DEBT OWED TO THE DOW BY FOREIGN ENTITIES

7.1 DoW policy is to conduct timely, aggressive debt collection action, with follow-up as necessary, to ensure debt owed to the DoW by a foreign entity is collected and held to the absolute minimum. All collection activities related to foreign-entity indebtedness, including all Acquisition and Cross-Servicing Agreement (ACSA) debt, must comply with the applicable agreement or treaty with the foreign entity.

7.2 For purposes of this section, a foreign entity does not include foreign individuals or foreign vendors and will only refer to the following definitions:

7.2.1. Any government of a foreign country, and any subdivision, agency, or instrumentality thereof, including all foreign “official” institutions, even those located in the U.S.;

7.2.2. Any private relief, philanthropic, or other organization of a multinational or regional character with headquarters abroad; and

7.2.3. Any official multinational organization, defined as any international or regional organization (or affiliated agency thereof), created by treaty or convention between sovereign states.

7.3 Foreign-entity indebtedness means financial obligations owed to the U.S. Government by a foreign entity, as defined for purposes of this section. Foreign-entity indebtedness includes Foreign Military Sales (FMS) arrearages, accounts receivable for goods and/or services provided (where specified, includes goods and/or services provided through the ACSA program), and erroneous payments made to foreign entities. Foreign-entity indebtedness does not include principal payments or interest on short-term and long-term loans and credits.

7.4 This section establishes policy for DoW Components to identify, bill, collect, and manage foreign-entity indebtedness, including FMS and non-FMS. It does not establish policy for non-FMS fuel debts, foreign fuel exchange agreement debts, foreign direct bills, or FMS fuel debts. Unpaid debts related to fuel agreements, including Replacement-in-Kind/Equal Value Exchange settlements, foreign direct bills, and FMS, must be billed and elevated through the Defense Logistics Agency - Finance Energy (subparagraph 3.1.3.2 and paragraph 3.2 do not apply).

7.5 Billing AND FOLLOW-UP ACTIONS

7.5.1 Non-FMS, Foreign-Entity Debt

7.5.2. Due Date. All non-FMS foreign-entity debt is due 30 days from the date of the bill/demand letter, unless otherwise stated in the bill, contract, or agreement between the DoW

Component and the foreign entity. The bill/demand letter must include a 60-day grace period. The debt becomes delinquent 91 days from the date of the bill/demand letter.

7.5.2.1. The ARO must prepare and send initial billings and notifications for goods and services for all non-FMS foreign-entity debt. The ARO must include the information listed in subparagraph 7.5.2.2 in the initial debt notification accompanying the bill.

7.5.2.2. The ARO must prepare and send the initial demand for non-FMS foreign-entity debts (see Exhibit 6-1 for a sample demand letter). The demand letter must include, at a minimum, the following information:

7.5.2.2.1. The basis for and amount of the indebtedness;

7.5.2.2.2. The date by which payment must be made in full;

7.5.2.2.3. The address where payment should be sent or information regarding submission of electronic payment;

7.5.2.2.4. The name, address, and telephone number of a point of contact in the ARO who can discuss alternative methods of payment; and

7.5.2.2.5. Any available documentation that substantiates the debt.

7.6 FMS Accounts Receivable

7.6.1. For sales from stock, AECA Section 21(b) (22 U.S.C. 2761) requires DoW to collect payments from foreign purchasers in advance or, if the President determines it to be in the national interest, upon delivery of a defense article or rendering of a defense service. After such a Presidential determination to bill upon delivery, interest must be charged under AECA Section 21(d) (22 U.S.C. 2761(d)) on any net amount due and payable that is not paid within 60 days after the date of billing.

7.6.2. The President delegated authority to determine if billing upon delivery is in the national interest in Executive Order 13637, and the Secretary of Defense further delegated the authority to the Director, DSCA, in DoW Directive 5105.65. The President may extend the period to 120 days upon determining that emergency requirements of the purchaser will exceed the ready availability of purchaser funds within the 60 days, submitting a determination with a special emergency request for authorization and appropriation of additional funds to finance such purchases under the AECA.

7.6.3. For sales from procurements (items sent directly from the source, not from DoW inventories), when the country is authorized a dependable undertaking, AECA Section 22(a) (22 U.S.C. 2762(a)) requires DoW to collect payments from foreign purchasers in time to meet

contractual payments, including any damages and costs that may accrue from cancellation of such contracts. AECA Section 22(a) requires interest to be charged on any net amount by which a foreign purchaser is in arrears, considering all of its outstanding unliquidated dependable undertakings.

7.6.4. Due Date. Refer to Volume 15, Section 8 for policy regarding FMS billing due dates.

7.6.5. Initial Billing. DFAS SCA is responsible for issuing FMS billing documents. Billings for financial requirements must be initiated using the DD 645 or the special billing statement approved by DSCA. These billings must, at a minimum, identify the financial requirements, amount paid, and amount due. Specific policy on FMS billings is in Volume 15, Section 8.

7.6.5.1. When the amount due per the DoW billing statement is not paid by the due date, that amount is considered delinquent, but that does not necessarily constitute an arrearage.

7.6.5.2. For FMS cases authorized to include a term of sale of "Payment on Delivery," and for FMS purchasers authorized "dependable undertaking" terms of sale, an arrearage occurs when the FMS purchaser's total cash resources on deposit with the U.S. Government are insufficient to cover all its outstanding, billed amounts, unliquidated dependable undertakings, considered collectively. Reference Volume 15, Section 4, subparagraph 3.1.2 for information on dependable undertaking.

7.6.5.3. FMS purchasers are required to pay in advance of performance unless the President determines it to be in the national interest to collect upon delivery of the defense article or the rendering of the defense service. Refer to 22 U.S.C. § 2761. Therefore, in the FMS program, an arrearage is an unusual event.

7.7 INTEREST, ADMINISTRATIVE CHARGES, AND PENALTIES FOR FMS ARREARAGES

7.7.1 Interest must be charged on FMS arrearages under 22 U.S.C. 2761(d) and 22 U.S.C. 2762(a). The final determination on assessing interest on FMS arrearages resides with DSCA. The interest rate is the rate set by the Secretary of the Treasury under the AECA (not less than a rate based on the current average market yield on outstanding short-term U.S. obligations as of the last day of the month preceding the net arrearage), computed from the date of net arrearage; the applicable rate is published by Treasury (see the FMM). For disposition of interest collected, refer to Volume 4, Section 3. Non-FMS foreign debts owed by any sovereign state are exempt from interest, administrative charges, and penalties. Refer to the PGI for additional information on assessing interest.

7.8 REFERRAL OF FMS INDEBTEDNESS

7.8.1 Authority to Refer FMS Indebtedness. DSCA must determine if an FMS arrearage will be forwarded to DOJ for litigation.

7.9 Preservation of Evidence. The ARO, DFAS PM, DoW Component, and DSCA must retain all files and records that may be needed by DOJ to prove the case in court. Refer to Volume 1, Section 9 for additional information on record retention.

7.10 COMPROMISE, SUSPENSION, OR TERMINATION OF COLLECTION ACTIONS FOR FMS ARREARAGES DFAS SCA,

In cooperation with the DoW Component, must coordinate proposals to compromise, suspend, or terminate collection actions on FMS arrearages with DSCA. Refer to Section 2 for policy on compromise, suspension, or termination of collection actions.

7.11 WRITE OFF AND CLOSE OUT OF FMS ARREARAGES DSCA

DSCA is responsible for initiating and coordinating all actions necessary to write off and close out FMS arrearages. Refer to Volume 4, Section 3, paragraph 4.7 for write-off and closeout requirements.

7.12 REPORTING FOREIGN INDEBTEDNESS

7.12.1. Foreign indebtedness must be uniformly and accurately reported through appropriate reporting channels to Treasury and Commerce.

7.12.2. Required Reports

7.12.2.1. Grants, Loans, Credits, and Contingent Liabilities Involving Foreigners. The TFM, Volume I, Part 2, Chapter 4500 requires electronic submission of several reports on foreign obligors to Treasury by the 45th day following the end of the reporting quarter, if applicable. DFAS Security Assistance Accounting (SAA) Departmental prepares and submits these reports, extracting the data from the DSCA FMS Credit System. The TFM, Volume I, Part 2, Chapter 4500 provides detailed guidance, report formats, and submission instructions.

7.12.2.2. Data Editing. DFAS SAA Departmental must complete the quarterly data editing and approval process using Treasury's Foreign Credit Reporting System (FCRS) within 2 weeks after receiving notification that the reporting period data is available for editing. The FCRS Web Site Overview and Data Editing Guide for Agency Users contains instructions for the quarterly data editing and approval process. A list of the required reports may be found in the PGI.

7.12.3. Preliminary Case Analysis Report of FMS Arrearages. The National Advisory Council (NAC) monitors major foreign arrearages. A major foreign arrearage is any country-program arrearage involving the sum of \$250,000 or more. Periodically, DSCA will request a Preliminary Case Analysis Report (PCAR) from DFAS to satisfy NAC requirements. DFAS submits the PCAR directly to DSCA by email. The report must reflect any foreign arrearages so a determination can be made on whether interest should be charged.

7.12.4. Collecting and Reporting Foreign Debts Under Long-Term Loans and Debts. DSCA is responsible for administering FMS long-term loans and credit programs authorized by 22 U.S.C. 2763 and for determining foreign arrearages against these programs.

8.0 INTEREST, PENALTIES, AND ADMINISTRATIVE (IPA) CHARGES

8.1 INTERNAL CONTROLS

All organizations that collect and manage IPA charges must follow the internal-control standards in DoW Instruction 5010.40, "Managers' Internal Control Program Procedures," to ensure IPA charges owed to the DoW are managed and collected per this section and other applicable regulatory and statutory requirements.

8.2 APPLICATION OF CHARGES

Title 31, CFR, section 901.9 contains guidance on assessing IPA charges. Unless prohibited by law, IPA charges will be applied accordingly. Refer to Volume 4, Section 3 for requirements on the disposition of IPA charges.

8.3 All debts owed to the Government and not paid in full by the due date specified in the debt notification letter will accrue IPA charges back to the original date of the debt notification, and in accordance with 31 U.S.C. § 3717. These charges will continue to accrue until the debt is paid in full or otherwise resolved through suspension, compromise, termination, or the IPA charges are waived. Debts owed by any federal agency, or nonappropriated fund instrumentality, are exempt from IPA charges.

8.4 Interest Charges

Per to 31 U.S.C. 3717, interest rates must be established for each loan receivable and overdue debt from the public. The factors that affect the variability of interest rates (e.g., legislation, type of contract, an occurrence of an event, passage of time, debtor's income level, or federal funds rate) must be identified. In the absence of specific authority embodied in statute, regulation required by statute, contract, or other public notice, the interest rate, at a minimum, will be the same rate as the Current Value of Funds Rate (CVFR) established by the Secretary of the Treasury. Interest may not be compounded or assessed on administrative costs or penalties.

8.5 Penalty Charges

DoW Components must accrue and assess a penalty charge, not to exceed 6 percent per annum, on any portion of a debt delinquent more than 90 days from the date of the debt notification, including interest and administrative charges. A debt becomes delinquent if not paid by the established due date; therefore, penalty charges must be applied to those accounts reported in the aging category 91-180 days delinquent and beyond. This does not include current payments made under an agreed-upon installment plan or through salary offset. Components may determine what percentage, up to the maximum 6 percent, to apply to delinquent accounts. A Component must document its rationale for charging a lesser amount and make it part of the official debt file.

8.6 Administrative Charges

Components must calculate administrative charges based on the actual costs incurred to process and handle delinquent debt. If actual cost is not available, a Component may base the administrative charge on other historical costs or cost analyses, as long as the method used supports the charge and is documented in the official debt file. An administrative charge will be applied to all delinquent debts with due regard given to the length of time the debts are delinquent.

8.7 WAIVER OF ACCRUAL OF IPA CHARGES

8.7.1 Under 31 U.S.C. 3717(h), the DCO may waive IPA charges in whole or in part, either using the compromise standards in 31 C.F.R. 902.2 or when collecting IPA charges is against equity and good conscience (such as when charging IPA would cause the debtor undue financial hardship) or is not in the best interest of the United States (see also 31 CFR 901.9(g)). A DCO may waive IPA on its own or at a debtor's request, and may waive IPA only in part. For example, circumstances may justify waiving penalties, which penalize untimely payment, but not interest and administrative costs, which compensate the Government. A DCO must make a decision on whether or not to waive IPA charges in accordance with the guidelines in paragraph 4.2.

8.8 Guidelines

8.8.1. IPA charges may be waived only after the DCO determines that a waiver is appropriate, including at the time the debt is terminated or compromised.

8.8.2. DoW Components must decide whether to waive the accrual and assessment of IPA charges on a case-by-case basis. Blanket waivers that waive IPA on an entire class of debts are not appropriate. Decisions on IPA waivers must be documented, include an explanation as to the reasons for the waiver, and retained as a part of the official debt file.

8.8.3. The same organizational level, or the same designee, authorized to approve compromises, write off indebtedness, or approve requests for waiver or remission of indebtedness,

depending on the disposition of the basic debt, is authorized to approve waiver of the accrual of IPA charges.

8.8.4. Accrued IPA charges will be collected, reported, compromised, or written off in the same manner as the basic debt.

8.9 Write-Off of Accrued IPA Charges

When a debt is written off, the accrued IPA charges must also be written off. Write-off must be done in accordance with Office of Management and Budget Circular A-129. Volume 4, Section 3 contains additional requirements on debt write-off.